

EXHIBIT 2

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE:) No. 12-12020 (MG)
)
RESIDENTIAL CAPITAL, LLC,) Chapter 11
et al.,) Administered
Debtors.) Jointly
-----)

July 24, 2013

8:08 a.m.

Deposition of ALLEN M. PFEIFFER, held
at the offices of Willkie, Farr & Gallagher
LLP, 767 Seventh Avenue, New York, New York,
before Laurie A. Collins, a Registered
Professional Reporter and Notary Public of the
State of New York.

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<p>1 2 A P P E A R A N C E S: 3 4 WILLKIE, FARR & GALLAGHER LLP 5 Attorneys for Investors 6 Monarch, Stonehill, Bayview, and CQS 7 The Equitable Center 8 787 Seventh Avenue 9 New York, New York 10019-6099 10 BY: JOSEPH T. BAIO, ESQ. 11 jbaio@willkie.com 12 EMMA J. JAMES, ESQ. 13 ejames@willkie.com 14 ARTHUR BILLER, ESQ. 15 abiller@willkie.com 16 17 ALSTON & BIRD LLP 18 Attorneys for Wells Fargo as Trustee 19 One Atlantic Center 20 1201 West Peachtree Street 21 Atlanta, Georgia 30309-3424 22 BY: JOHN C. WEITNAUER, ESQ. 23 kit.weitnauer@alston.com 24 25</p>	<p>1 2 A P P E A R A N C E S (continued): 3 4 KRAMER LEVIN NAFTALIS & FRANKEL LLP 5 Attorneys for the Official Committee 6 of the Unsecured Creditors 7 1177 Avenue of the Americas 8 New York, New York 10036 9 BY: ADINA C. LEVINE, ESQ. 10 alevine@kramerlevin.com 11 (via teleconference) 12 13 JONES DAY 14 Attorneys for Financial Guaranty 15 Insurance Company 16 222 East 41st Street 17 New York, New York 10017-6702 18 BY: HOWARD F. SIDMAN, ESQ. 19 hfsidman@jonesday.com 20 RICHARD L. WYNNE, ESQ. 21 rlwynne@jonesday.com 22 (via teleconference) 23 24 25</p>
Page 3	Page 5
<p>1 2 A P P E A R A N C E S (continued): 3 4 DECHERT LLP 5 Attorneys for Bank of New York 6 Mellon Trust Company, N.A., as Trustee 7 or Investor Trustee 8 1095 Avenue of the Americas 9 New York, New York 10036-6797 10 BY: GLENN E. SIEGEL, ESQ. 11 glenn.siegel@dechert.com 12 13 SEWARD & KISSELL, LLP 14 Attorneys for Law Debenture Trust 15 Company of New York 16 One Battery Park Plaza 17 New York, New York 10004 18 BY: MARK D. KOTWICK, ESQ. 19 kotwick@sewkis.com 20 DALE C. CHRISTENSEN, JR., ESQ. 21 christensen@sewkis.com 22 23 24 25</p>	<p>1 2 A P P E A R A N C E S (continued): 3 4 MORRISON & FOERSTER LLP 5 Attorneys for Debtors 6 1290 Avenue of the Americas 7 New York, New York 10104-0050 8 BY: CHARLES L. KERR, ESQ. 9 ckerr@mofo.com 10 11 ROPES & GRAY LLP 12 Attorneys for Steering Committee 13 of RMBS Investors 14 Prudential Tower 15 800 Boylston Street 16 Boston, Massachusetts 02199-3600 17 BY: ANDREW G. DEVORE, ESQ. 18 andrew.devore@ropesgray.com 19 20 McKOOL SMITH, P.C. 21 Attorneys for Freddie Mac 22 One Bryant Park, 47th Floor 23 New York, New York 10036 24 BY: PETER S. GOODMAN, ESQ. 25 pgoodman@mckoolsmith.com</p>

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<p style="text-align: right;">Page 6</p> <p>1 2 A P P E A R A N C E S (continued) 3 4 MOSS & KALISH PLLC 5 Attorneys for Freddie Mac 6 122 East 42nd Street, Suite 2100 7 New York, New York 10168 8 BY: DAVID B. GELFARB, ESQ. 9 gelfarb@mosskalish.com 10 11 MEISTER SEELIG & FEIN LLP 12 Attorneys for Duff & Phelps and Witness 13 2 Grand Central Tower 14 140 East 45th Street, 19th Floor 15 New York, New York 10017 16 BY: HOWARD S. KOH, ESQ. 17 hsk@msf-law.com 18 19 ALSO PRESENT: 20 BARRY RIEGER (Protiviti) 21 SCOTT GIBSON (MountainView Capital) 22 23 24 25</p>	<p style="text-align: right;">Page 8</p> <p>1 Pfeiffer 2 MR. GIBSON: Scott Gibson, MountainView 3 Capital. 4 MR. SIDMAN: Howard Sidman, Jones Day. 5 MR. DEVORE: Andrew Devore, Ropes & 6 Gray. 7 MR. CHRISTENSEN: Dale Christensen, 8 Seward & Kissel, for Law Debenture. 9 MR. SIEGEL: Glenn Siegel, Dechert. 10 MR. KERR: Charles Kerr, Morrison & 11 Foerster, on behalf of U.S. Bank as trustee. 12 MR. KOTWICK: Mark Kotwick, Seward & 13 Kissel on behalf of U.S. Bank as trustee. 14 MR. WEITNAUER: Kit Weitnauer, Alston & 15 Bird. 16 MR. KOH: Howard Koh, Meister Seelig & 17 Fein, on behalf of Duff & Phelps. 18 MR. BAIO: I'm going to ask the 19 reporter to mark as the first exhibit, a 20 multipage -- 21 MS. LEVINE: I'm sorry. 22 MR. BAIO: I'm sorry. Go ahead. 23 MS. LEVINE: Let me introduce myself on 24 the phone. Adina Levine from Kramer Levin 25 representing the unsecured creditors.</p>
<p style="text-align: right;">Page 7</p> <p>1 2 A L L E N M. P F E I F F E R , 3 called as a witness, having affirmed to tell 4 the truth, was examined and testified as 5 follows: 6 EXAMINATION BY 7 MR. BAIO: 8 Q. What is your name? 9 A. My name is Allen Pfeiffer. 10 Q. Where do you work? 11 A. I work at Duff & Phelps. 12 MR. BAIO: We're going to start by 13 introducing the various counsel. My name is 14 Joe Baio. I represent various investors in 15 this matter. They have been identified in the 16 record. 17 And I'll ask everyone to identify 18 themselves, going to the left. 19 MR. RIEGER: My name is Barry Rieger 20 I work with Protiviti. 21 MR. BILLER: Arthur Biller, Willkie 22 Farr. 23 MS. JAMES: Emma James, Willkie Farr 24 MR. GELFARB: David Gelfarb, Moss & 25 Kalish.</p>	<p style="text-align: right;">Page 9</p> <p>1 Pfeiffer 2 MR. BAIO: Is anyone else on the phone? 3 MR. WYNNE: Rick Wynne from Jones Day. 4 MR. BAIO: Anyone else? 5 All right. I'm going to ask the 6 reporter to mark as the first exhibit, 7 Pfeiffer 1, a multipage document identified 8 expert report of Allen M. Pfeiffer. 9 (Pfeiffer Exhibit 1, expert report of 10 Pfeiffer, marked for identification.) 11 Q. Mr. Pfeiffer, can you tell me what 12 Exhibit 1 is? 13 A. It is the expert report dated -- it's 14 my expert report dated July 19th, 2013. 15 Q. Did you prepare any part of it? 16 A. I did. 17 Q. What part? 18 A. I'm responsible for all of it. 19 Q. Can you look toward the back of Exhibit 20 1. There is a document identified behind 21 Attachment 3 which bears the title "ResCap" on the 22 left-hand side, "Duff & Phelps" on the right-hand 23 side, is dated May 15th, 2013, and headed 24 "Residential Capital, LLC." 25 Do you see that?</p>

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<p style="text-align: right;">Page 10</p> <p>1 Pfeiffer</p> <p>2 A. I do.</p> <p>3 Q. And what is that document and the pages</p> <p>4 that follow to the end of Exhibit 1?</p> <p>5 A. This document is the written</p> <p>6 presentation that was shared with the RMBS</p> <p>7 trustees on May 15th, 2013, related to the FGIC</p> <p>8 commutation proposal.</p> <p>9 Q. And did you prepare this Attachment 3</p> <p>10 to Exhibit 1?</p> <p>11 A. I am responsible for it as well.</p> <p>12 Q. Who else participated in the</p> <p>13 preparation of it?</p> <p>14 A. Members of my team at Duff & Phelps.</p> <p>15 Q. Anyone outside of Duff & Phelps?</p> <p>16 A. The source of some of the information</p> <p>17 is -- some of the -- some of the information is</p> <p>18 sourced from outside of Duff & Phelps, but Duff &</p> <p>19 Phelps actually put together the PowerPoint</p> <p>20 slides.</p> <p>21 Q. And when -- and who -- strike that.</p> <p>22 Who were the sources of the other</p> <p>23 information that is incorporated in -- we'll call</p> <p>24 it the May 15th report. Is that fair? You'll</p> <p>25 know what I'm referring to?</p>	<p style="text-align: right;">Page 12</p> <p>1 Pfeiffer</p> <p>2 (Mr. Goodman joins proceedings.)</p> <p>3 Q. Which trustees were present, so far as</p> <p>4 you know? And I'm talking about the May 13th</p> <p>5 teleconference.</p> <p>6 A. My understanding is that all of the</p> <p>7 trustees were present.</p> <p>8 Q. Was anyone else present besides the</p> <p>9 trustees and their counsel, so far as you know?</p> <p>10 A. My understanding and recollection is</p> <p>11 that it was only the trustees, trustees' counsel</p> <p>12 and Duff & Phelps employees. However, when we</p> <p>13 define the trustees' counsel and -- well, the</p> <p>14 trustees' counsel, I think that the trustees are</p> <p>15 defined in my report and defined in this matter as</p> <p>16 limited to Wells Fargo and Bank of New York and</p> <p>17 U.S. Bank.</p> <p>18 I don't recall and I'm not sure if the</p> <p>19 other trustees related to the RMBS trustee matter</p> <p>20 for ResCap more broadly. I can't recall if they</p> <p>21 were on the phone.</p> <p>22 Q. Is there a list or a record of who</p> <p>23 attended, so far as you know?</p> <p>24 A. Not as far as I know, no.</p> <p>25 Q. You haven't seen anything that</p>
<p style="text-align: right;">Page 11</p> <p>1 Pfeiffer</p> <p>2 A. I'd call it the May 15th presentation,</p> <p>3 okay.</p> <p>4 Q. Okay, the May 15th presentation.</p> <p>5 Who were the other sources of</p> <p>6 information contained in the May 15th</p> <p>7 presentation?</p> <p>8 A. FGIC and Lazard and of course all the</p> <p>9 public sources that we used to -- as inputs to our</p> <p>10 analysis as well.</p> <p>11 Q. Where did the presentation occur on May</p> <p>12 15th?</p> <p>13 A. This is the written product that was</p> <p>14 sent to the trustees and their counsel on May</p> <p>15 15th. The actual presentation itself occurred two</p> <p>16 days earlier on May 13th, and it was a telephonic</p> <p>17 conference.</p> <p>18 Q. Who was present at the May 13th</p> <p>19 telephonic conference?</p> <p>20 A. A lot of people.</p> <p>21 Q. Was any part of it in a conference</p> <p>22 room?</p> <p>23 A. Duff & Phelps employees were in</p> <p>24 conference rooms, but I can't be sure where the</p> <p>25 trustees or counsel for the trustees were sitting.</p>	<p style="text-align: right;">Page 13</p> <p>1 Pfeiffer</p> <p>2 identifies who was present?</p> <p>3 A. No.</p> <p>4 Q. How long did the teleconference take</p> <p>5 place?</p> <p>6 A. The teleconference was somewhere</p> <p>7 between an hour and an hour and a half.</p> <p>8 Q. Did you do most of the talking?</p> <p>9 A. No.</p> <p>10 Q. Who did most of the talking?</p> <p>11 A. My colleagues.</p> <p>12 Q. Which colleagues?</p> <p>13 A. Brendan Murphy and Alice Chong. There</p> <p>14 were several other colleagues besides me that</p> <p>15 likely spoke as well.</p> <p>16 Q. Did you say anything during the</p> <p>17 teleconference on May 13th?</p> <p>18 A. I did.</p> <p>19 Q. And without telling me what it is for</p> <p>20 now, can you recall what you said as opposed to</p> <p>21 what others said?</p> <p>22 A. I can't recall precisely what I said,</p> <p>23 no.</p> <p>24 Q. Did the trustees say anything during</p> <p>25 the May 13th teleconference?</p>

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1 Pfeiffer
2 A. I can't recall exactly, but I believe
3 they did.
4 Q. Do you recall whether any asked
5 questions?
6 A. I recall there were -- there were --
7 there was a lot of discussion and a number of
8 questions. I don't recall exactly who asked what
9 questions.
10 Q. Now, at the -- or during the May 13th
11 teleconference, is it correct that the May 15th,
12 2013, presentation was not in the hands of the
13 trustees during that teleconference; is that
14 correct?
15 A. The almost precisely exactly -- almost
16 exact presentation was in their hands. It was
17 only subsequently updated to take off the word
18 "draft" and small edits like that, no -- but the
19 substance of our presentation was in their hands.
20 Q. And some of the numbers changed from
21 the draft to the final; is that correct?
22 MR. KOTWICK: Objection to the form.
23 A. Some of the numbers changed from the
24 initial draft to the final, but the numbers did
25 not change between May 13th and May 15th. There

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1 Pfeiffer
2 was a WebEx. I shouldn't refer to it as a
3 teleconference. I apologize for that. It was a
4 WebEx. So it was presented on people's screen as
5 well.
6 And so that presentation is
7 substantially the same as the one that you have in
8 front of you dated May 15th, and the numbers did
9 not change between what was on the WebEx and the
10 May 15th date.
11 Q. How many drafts are there of this
12 report that is Attachment 3 to Exhibit 1?
13 MR. KOTWICK: Objection to the form.
14 A. The only ones that I'm aware of are the
15 two drafts that -- one is dated I believe May 6th,
16 and then there was the draft that was as of May
17 13th or 14th. Other drafts were, you know,
18 written over, and I don't have them.
19 Q. The May 6th draft, do you know if that
20 was produced to us?
21 A. I believe it was.
22 Q. And is it the same number of pages,
23 nine pages, similar layout?
24 MR. KOTWICK: Objection to the form.
25 A. I think it might have been ten pages.

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1 Pfeiffer
2 And the layout is similar, but some of the pages
3 are in different order.
4 Q. Did you or anyone, so far as you know,
5 provide the May 6th draft of the commutation
6 proposal discussion materials to anyone?
7 A. Can you repeat that question, please?
8 Q. I'll do it.
9 Did you give the May 6th draft to
10 anyone?
11 MR. KOTWICK: Objection to form.
12 A. Yes.
13 Q. Whom?
14 A. We shared it with counsel.
15 Q. Your own counsel or other counsel?
16 A. We shared it with counsel for the RMBS
17 trustees.
18 Q. Then did you receive comments on it?
19 A. We had discussion around that draft.
20 Q. That draft, did it reflect the same
21 settlement offer by FGIC as appears in this
22 Attachment 3 to Exhibit 1?
23 MR. SIDMAN: Objection to form.
24 A. I believe it substantially did, yes.
25 Q. Did you prepare any draft version of

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1 Pfeiffer
2 the May 15th presentation that encompassed a
3 different settlement offer by FGIC?
4 A. I don't believe so.
5 Q. Did you do any analysis on any
6 settlement offer made by FGIC other than the one
7 that appears in the May 15th presentation?
8 MR. KOH: Objection to form.
9 A. I don't believe so.
10 Q. And when did you receive the FGIC
11 proposals?
12 A. Sometime in March of 2013.
13 Q. Late March?
14 A. Yes.
15 Q. How did you get it?
16 A. We received it via e-mail.
17 Q. And the proposal that you received in
18 late March, that was the same as the proposal
19 that's embraced and included in your May 15th
20 presentation; is that correct?
21 MR. KOH: Objection to form.
22 A. Substantially the same, yes.
23 Q. When you say "substantially," was there
24 anything different that you can recall?
25 A. I don't recall any differences.

<p style="text-align: right;">Page 18</p> <p>1 Pfeiffer</p> <p>2 Q. Can you turn to page 5 of the May 15th</p> <p>3 presentation which appears in Exhibit 1.</p> <p>4 A. If I can qualify my last answer, the</p> <p>5 number is what I'm focused on when I say</p> <p>6 "substantially the same." It is the same. I'm</p> <p>7 not now recalling exactly to what extent the</p> <p>8 trustees retained certain rights, you know, and</p> <p>9 when that was documented and how that related to</p> <p>10 what was discussed in March or April or May</p> <p>11 relative to the final settlement agreement that</p> <p>12 was signed.</p> <p>13 Q. What rights are you referring to in</p> <p>14 your response?</p> <p>15 A. The trustees -- first of all, the</p> <p>16 premiums being waived; second, their rights to</p> <p>17 future recoveries; their -- their rights to the</p> <p>18 R&W -- the recoveries associated with R&W claims.</p> <p>19 Q. Anything else?</p> <p>20 A. Those are all that come to mind right</p> <p>21 now.</p> <p>22 Q. And when you say the number remain the</p> <p>23 same, are you referring to the commutation amount</p> <p>24 of \$253.3 million?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 20</p> <p>1 Pfeiffer</p> <p>2 case.</p> <p>3 We have, through conversations over the</p> <p>4 last few days, tried to make a particular</p> <p>5 document available to you and your colleagues</p> <p>6 so that you could conduct this examination</p> <p>7 with the full disclosure, while at the same</p> <p>8 time protecting our obligations and our rights</p> <p>9 under the mediation order in this case.</p> <p>10 I'm not going to go into the back-and-</p> <p>11 forth. We made an offer, you declined to</p> <p>12 accept it, we are where we are. The issue is</p> <p>13 now in front of the court.</p> <p>14 MR. BAIO: Yes.</p> <p>15 MR. SIDMAN: I want to make clear for</p> <p>16 the record the offer is still open. If you</p> <p>17 choose to accept it, you can have the document</p> <p>18 and we can proceed with the deposition in full</p> <p>19 disclosure.</p> <p>20 At this point, based on the fact that</p> <p>21 the issue is pending before the court and the</p> <p>22 fact that we have made the offer and you</p> <p>23 declined to accept it, we are where we are,</p> <p>24 and you have to proceed with the deposition on</p> <p>25 that basis.</p>
<p style="text-align: right;">Page 19</p> <p>1 Pfeiffer</p> <p>2 Q. And you said you received the proposal</p> <p>3 in March in e-mail form or from an e-mail; is that</p> <p>4 correct?</p> <p>5 A. Yes.</p> <p>6 Q. Have you produced that?</p> <p>7 A. If we produced the e-mail, I don't -- I</p> <p>8 don't know. You'd have to ask counsel.</p> <p>9 Q. How about the attachment, did you</p> <p>10 produce the attachment that embodied the proposal</p> <p>11 in late March of 2013?</p> <p>12 MR. KOH: Objection to form.</p> <p>13 A. My understanding is that page 5 -- the</p> <p>14 right side of page 5 is the -- is the content of</p> <p>15 the attachment that was included in the e-mail in</p> <p>16 March of 2013.</p> <p>17 Q. Were there any other terms of the</p> <p>18 proposed settlement included in that document,</p> <p>19 including whether premiums would be waived, the</p> <p>20 extent to which the trustees would have rights to</p> <p>21 future recoveries, and the like?</p> <p>22 MR. SIDMAN: Counsel, I'm going to</p> <p>23 object to this question on the grounds that it</p> <p>24 encompasses -- it relates to information that</p> <p>25 is protected by the mediation order in this</p>	<p style="text-align: right;">Page 21</p> <p>1 Pfeiffer</p> <p>2 MR. BAIO: Right. We also made an</p> <p>3 offer that we would accept it under the terms</p> <p>4 of the confidentiality order that covers every</p> <p>5 other document in this case. You have refused</p> <p>6 that.</p> <p>7 We continue to leave that open and are</p> <p>8 prepared to proceed. You've decided not to.</p> <p>9 It is before the court. But it takes two not</p> <p>10 to tango, and you're not agreeing.</p> <p>11 We don't have to put any more on the</p> <p>12 record.</p> <p>13 MR. SIDMAN: Right.</p> <p>14 MR. BAIO: It is what it is. I'm just</p> <p>15 asking questions now about a document. I'm</p> <p>16 not sure whether it is the same document. I</p> <p>17 just want to know what he understands has been</p> <p>18 produced, what he received, so that we can</p> <p>19 have an effective cross-examination.</p> <p>20 MR. SIDMAN: I understand. And you can</p> <p>21 ask your questions. But I'm instructing the</p> <p>22 witness not to answer questions with respect</p> <p>23 to that particular document. Take whatever --</p> <p>24 make whatever judgments you want to based on</p> <p>25 my instruction.</p>

<p style="text-align: right;">Page 22</p> <p>1 Pfeiffer</p> <p>2 MR. BAIO: Can we go back to the</p> <p>3 question.</p> <p>4 (Record read as follows: Were there any</p> <p>5 other terms of the proposed settlement</p> <p>6 included in that document, including whether</p> <p>7 premiums would be waived, the extent to which</p> <p>8 the trustees would have rights to future</p> <p>9 recoveries, and the like?)</p> <p>10 MR. SIDMAN: Same instruction.</p> <p>11 MR. KOH: In light of that instruction,</p> <p>12 I'm going to direct Mr. Pfeiffer not to answer</p> <p>13 that question.</p> <p>14 MR. BAIO: Okay.</p> <p>15 MR. GOODMAN: So there's two</p> <p>16 instructions.</p> <p>17 MR. BAIO: Wow.</p> <p>18 Q. The document you referred to that you</p> <p>19 had received in late March that embraced the</p> <p>20 settlement proposal, it did include the</p> <p>21 calculations that appear in one form or another on</p> <p>22 page 5 of the May 15th presentation; is that</p> <p>23 correct?</p> <p>24 MR. KOH: Objection to form.</p> <p>25 MR. SIDMAN: Hold on.</p>	<p style="text-align: right;">Page 24</p> <p>1 Pfeiffer</p> <p>2 an economic perspective relative to the expected</p> <p>3 payments that would result from the rehabilitation</p> <p>4 plan.</p> <p>5 Q. And that's in connection with the</p> <p>6 proposal that you received in late March of 2013;</p> <p>7 is that correct?</p> <p>8 A. Yes.</p> <p>9 Q. Is that proposal that you analyzed</p> <p>10 without any subsequent changes; is that correct?</p> <p>11 A. I don't understand your question.</p> <p>12 Q. Did you do an analysis of that proposal</p> <p>13 that you received itself without there having been</p> <p>14 any changes to that proposal? In other words, is</p> <p>15 there an analysis that you did of that proposal</p> <p>16 independent from anything that occurred</p> <p>17 thereafter?</p> <p>18 MR. SIDMAN: Objection to form.</p> <p>19 A. I'm not trying to be difficult, but I</p> <p>20 don't understand the question.</p> <p>21 Q. The proposal that you received had</p> <p>22 certain terms, that is, the proposal that you</p> <p>23 received in March of 2013; correct?</p> <p>24 A. Correct.</p> <p>25 Q. And you analyzed and evaluated those</p>
<p style="text-align: right;">Page 23</p> <p>1 Pfeiffer</p> <p>2 (Pause.)</p> <p>3 MR. SIDMAN: Same instruction. He</p> <p>4 can't answer that.</p> <p>5 MR. KOH: Same direction.</p> <p>6 Q. Did the proposal about which you have</p> <p>7 been testifying include the three main assumptions</p> <p>8 that appear on this page?</p> <p>9 MR. SIDMAN: Same instruction.</p> <p>10 MR. KOH: And same direction.</p> <p>11 Q. Did it include any discussion of a</p> <p>12 haircut?</p> <p>13 MR. SIDMAN: Same instruction.</p> <p>14 MR. KOH: And same direction.</p> <p>15 Q. Did you follow up with anyone at FGIC</p> <p>16 following your receipt of that document about the</p> <p>17 subjects addressed in the document?</p> <p>18 MR. SIDMAN: Same instruction.</p> <p>19 MR. KOH: Same direction.</p> <p>20 Q. Did you do any analysis of that</p> <p>21 document that you received in late March of 2013?</p> <p>22 MR. SIDMAN: You can answer.</p> <p>23 A. Yes.</p> <p>24 Q. What did you do?</p> <p>25 A. We did an analysis of the proposal from</p>	<p style="text-align: right;">Page 25</p> <p>1 Pfeiffer</p> <p>2 terms; correct?</p> <p>3 A. Yes.</p> <p>4 Q. And is that evaluation in any document?</p> <p>5 A. The evaluation is in the document that</p> <p>6 we've been discussing, the presentation dated May</p> <p>7 15th, and the underlying analysis that has been</p> <p>8 shared with you that goes behind this presentation</p> <p>9 and the draft of the presentation that we</p> <p>10 discussed a few minutes ago.</p> <p>11 Q. Did you do any analysis of a proposal</p> <p>12 by FGIC which did not include a waiver of the</p> <p>13 premium payment?</p> <p>14 A. I don't believe so.</p> <p>15 Q. So whatever analyses that you did, you</p> <p>16 did not consider and evaluate any proposal that</p> <p>17 did not include the waiver of the premium payment;</p> <p>18 is that correct?</p> <p>19 MR. KOH: Objection.</p> <p>20 You may answer.</p> <p>21 A. I recall now that the initial proposal</p> <p>22 included a waiving of the premium payments.</p> <p>23 Q. And what about rights to future</p> <p>24 recoveries, did the initial proposal include any</p> <p>25 such rights?</p>

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<p style="text-align: right;">Page 26</p> <p>1 Pfeiffer</p> <p>2 MR. KOTWICK: Objection to form.</p> <p>3 A. I don't recall.</p> <p>4 Q. Did you do any analysis or review of</p> <p>5 any proposal that did not include the trusts</p> <p>6 having retained any rights to future recoveries?</p> <p>7 A. Our initial analysis was focused on the</p> <p>8 271 as compared to the expected payments from the</p> <p>9 rehabilitation plan.</p> <p>10 Over the many weeks that we looked at</p> <p>11 the proposal and provided further analysis, we</p> <p>12 then included in our discussion and in our</p> <p>13 analysis the potential recoveries and the rights</p> <p>14 that they have -- that the trustees have to the</p> <p>15 recovery on the R&W claim.</p> <p>16 Q. And that's embodied in your report --</p> <p>17 is that correct? -- that is, Exhibit 1?</p> <p>18 A. It is -- it was referenced in our -- in</p> <p>19 our Web conference, teleconference, on the 13th,</p> <p>20 and it is referred to in our report.</p> <p>21 Q. Where?</p> <p>22 A. It is referred to on page 3 as a</p> <p>23 benefit that is listed on the second bullet point</p> <p>24 on the left that the FGIC settlement proposal</p> <p>25 provides a benefit in that it provides a global</p>	<p style="text-align: right;">Page 28</p> <p>1 Pfeiffer</p> <p>2 FGIC in their proposal.</p> <p>3 Q. And that would be in the proposal that</p> <p>4 you received in late March of 2013; is that</p> <p>5 correct?</p> <p>6 A. I believe so.</p> <p>7 Q. You'll see that the first line</p> <p>8 underneath the heading says, "The proposal</p> <p>9 outlines a cash payment of approximately \$253</p> <p>10 million by FGIC upon emergence in exchange for the</p> <p>11 ability of FGIC to assert approximately \$597</p> <p>12 million of allowed claims at ResCap."</p> <p>13 Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. Did you understand in March and in May</p> <p>16 of 2003 that that was an accurate statement of the</p> <p>17 proposal?</p> <p>18 MR. KOH: Objection.</p> <p>19 MR. SIDMAN: Objection to form.</p> <p>20 A. I understood it to be an accurate</p> <p>21 statement.</p> <p>22 Q. And you didn't call up or contact</p> <p>23 anybody at FGIC to say that you disagreed with</p> <p>24 that; is that correct?</p> <p>25 MR. SIDMAN: Objection. I'm trying to</p>
<p style="text-align: right;">Page 27</p> <p>1 Pfeiffer</p> <p>2 resolution on outstanding ResCap RMBS litigation</p> <p>3 issues.</p> <p>4 Q. Does that appear anywhere else, that</p> <p>5 benefit, in this document?</p> <p>6 MR. KOH: Objection.</p> <p>7 A. Well, it appears on the right side as a</p> <p>8 risk with respect to the FGIC plan, that if the</p> <p>9 settlement proposal is not accepted that the risk</p> <p>10 would be that the outstanding ResCap RMBS</p> <p>11 litigation issues would need to be resolved</p> <p>12 separately.</p> <p>13 Q. Okay. Can you go back to page 5 of</p> <p>14 Attachment 3 to Exhibit 1. And what is this page</p> <p>15 showing?</p> <p>16 A. This page outlines the proposal as</p> <p>17 received from FGIC.</p> <p>18 Q. And who prepared this page?</p> <p>19 MR. KOTWICK: Objection to form.</p> <p>20 A. Duff & Phelps put the words on the</p> <p>21 computer and the words that you see in front of</p> <p>22 you in PowerPoint on this page. However, the</p> <p>23 inputs, the analysis, the calculations, are not</p> <p>24 Duff & Phelps calculations. These are all</p> <p>25 calculations that were specifically received from</p>	<p style="text-align: right;">Page 29</p> <p>1 Pfeiffer</p> <p>2 be helpful here and allow you to conduct your</p> <p>3 examination, but once again I'm going to</p> <p>4 instruct the witness not to respond to</p> <p>5 questions that deal with communications with</p> <p>6 FGIC in connection with -- in connection with</p> <p>7 information provided on this particular page,</p> <p>8 because that information is protected by the</p> <p>9 mediation order.</p> <p>10 MR. BAIO: Okay. I think just to</p> <p>11 shorten things, because we only have so much</p> <p>12 time, it would be useful if you say,</p> <p>13 "Objection, mediation," and then direct him</p> <p>14 not to answer, because these speeches are not</p> <p>15 so helpful.</p> <p>16 MR. KOH: Same direction.</p> <p>17 Q. So he's instructing you not to answer,</p> <p>18 and your counsel is directing you not to answer.</p> <p>19 Well, did you have any contact with</p> <p>20 FGIC or any individuals at FGIC following the</p> <p>21 receipt of the March 2013 communication?</p> <p>22 A. Members of my team at Duff & Phelps did</p> <p>23 have conversations with FGIC and their advisors</p> <p>24 subsequent to March 2013.</p> <p>25 Q. And that included the CFO of FGIC;</p>

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<p style="text-align: right;">Page 30</p> <p>1 Pfeiffer</p> <p>2 correct?</p> <p>3 MR. KOTWICK: Objection to the form.</p> <p>4 MR. SIDMAN: Objection to the form.</p> <p>5 A. Correct.</p> <p>6 Q. Who else at FGIC did members of your</p> <p>7 team talk to following the receipt of the March</p> <p>8 2013 proposal?</p> <p>9 A. I don't recall the names right now.</p> <p>10 Q. Can you turn to page 8 of Exhibit 1,</p> <p>11 paragraph 14. You can read the entire paragraph</p> <p>12 to yourself, but I'm going to draw your attention</p> <p>13 to the middle of paragraph 14 in Exhibit 1 which</p> <p>14 states, "Based in part on confidential information</p> <p>15 communicated by FGIC's chief restructuring officer</p> <p>16 and Lazard, financial advisors to Weil, Gotshal &</p> <p>17 Manges, LLP, counsel to the New York liquidation</p> <p>18 bureau, D&P performed an independent financial</p> <p>19 analysis to determine a reasonable range of the</p> <p>20 value of projected payments to the FGIC ensured</p> <p>21 trusts based on the rehabilitation plan."</p> <p>22 Do you see that?</p> <p>23 A. I do.</p> <p>24 Q. What is the confidential information</p> <p>25 that was communicated to you in connection with</p>	<p style="text-align: right;">Page 32</p> <p>1 Pfeiffer</p> <p>2 MR. BAIO: Okay.</p> <p>3 MR. SIDMAN: -- in accordance with the</p> <p>4 confidentiality order.</p> <p>5 (The following portion has been deemed</p> <p>6 confidential and bound under separate cover.)</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 31</p> <p>1 Pfeiffer</p> <p>2 the analysis that you performed?</p> <p>3 MR. SIDMAN: Objection. Can we -- I</p> <p>4 know you have a limited time. I want to make</p> <p>5 sure we do this effectively. I want to confer</p> <p>6 with my colleagues for one second on this</p> <p>7 particular question --</p> <p>8 MR. BAIO: Oh, sure.</p> <p>9 MR. SIDMAN: -- so we can resolve this</p> <p>10 issue. Or if you want, we can proceed to</p> <p>11 something else and we can do it on a break.</p> <p>12 Whatever is easier for you.</p> <p>13 MR. WEITNAUER: Take a short break.</p> <p>14 MR. BAIO: Yeah, take the short break</p> <p>15 now.</p> <p>16 (Recess taken from 8:43 to 8:49.)</p> <p>17 MR. BAIO: All right. We're back on.</p> <p>18 Q. The question is what was the</p> <p>19 confidential information that was communicated to</p> <p>20 you in connection with the analysis that you</p> <p>21 performed. And I'm pointing you to that paragraph</p> <p>22 14.</p> <p>23 MR. SIDMAN: The only instruction would</p> <p>24 be that this part of the deposition will be</p> <p>25 designated as confidential --</p>	<p style="text-align: right;">Page 33</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. We had discussion with FGIC and Lazard</p> <p>3 with respect to some further detail associated</p> <p>4 with the rehabilitation plan.</p> <p>5 Q. And were those communications in</p> <p>6 writing?</p> <p>7 A. They did not -- I don't believe that</p> <p>8 they provided us anything in writing.</p> <p>9 Q. Did you provide them anything in</p> <p>10 writing? And by "you" I mean Duff & Phelps.</p> <p>11 A. We entered the meeting with a list of</p> <p>12 topics to discuss with them. I don't know if that</p> <p>13 was provided to them or not.</p> <p>14 Q. Did you produce the list to us?</p> <p>15 A. I believe we did.</p> <p>16 Q. Okay.</p> <p>17 MR. BAIO: And we request it if we</p> <p>18 didn't get it. I don't know whether we have</p> <p>19 that list.</p> <p>20 MR. KOH: I believe you do.</p> <p>21 MR. BAIO: Okay.</p> <p>22 Q. And did they provide responses to the</p> <p>23 documents -- to the questions that appeared on the</p> <p>24 list?</p> <p>25 MR. KOH: Objection to form.</p>

<p style="text-align: right;">Page 34</p> <p>1 Pfeiffer - Confidential</p> <p>2 Go ahead.</p> <p>3 A. They provided responses but not in</p> <p>4 writing.</p> <p>5 Q. Did anyone on your team write the</p> <p>6 responses down?</p> <p>7 A. Not that I know of.</p> <p>8 Q. Do you recall what the questions were?</p> <p>9 MR. KOH: Objection to form.</p> <p>10 Go ahead.</p> <p>11 A. I think the discussion was consistent</p> <p>12 with the outline of topics that you've seen on</p> <p>13 that one page of agenda items.</p> <p>14 Q. And what in confidential information</p> <p>15 did you receive that you then incorporated into</p> <p>16 your independent financial analysis?</p> <p>17 A. The understanding with regard to how</p> <p>18 the CPP and DPO works.</p> <p>19 Q. Where are you looking?</p> <p>20 A. I'm looking at our presentation dated</p> <p>21 May 15th, 2013 and --</p> <p>22 Q. Which page?</p> <p>23 A. Well, I'm not looking at any particular</p> <p>24 page right this moment.</p> <p>25 Q. Okay.</p>	<p style="text-align: right;">Page 36</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I think that generally we got a better</p> <p>3 understanding of the timing, the reserves, the</p> <p>4 manner in which the CPP may be adjusted upward or</p> <p>5 downward.</p> <p>6 Q. So prior to the meeting, you had less</p> <p>7 of an understanding; after the meeting you</p> <p>8 understood those matters better. Is that fair?</p> <p>9 A. Yes.</p> <p>10 Q. How long did that meeting take place,</p> <p>11 or those meetings? Strike that.</p> <p>12 Was there more than one meeting?</p> <p>13 A. My understanding is there was one</p> <p>14 in-person meeting and there were telephone</p> <p>15 conversations as well.</p> <p>16 Q. And so far as you know, there are no</p> <p>17 records of those telephone communications, that</p> <p>18 is, what was said by the parties to the telephone</p> <p>19 communications; is that correct?</p> <p>20 A. There's no written record of the</p> <p>21 conversation, but there is -- there are likely</p> <p>22 phone records that would support the fact there</p> <p>23 was a phone conversation.</p> <p>24 Q. Are there e-mail communications that</p> <p>25 you know of identifying what was learned during</p>
<p style="text-align: right;">Page 35</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I would say broadly that the -- that</p> <p>3 our knowledge of the plan was enhanced by that</p> <p>4 conversation. And the understanding as to how the</p> <p>5 calculations on page 5 of our presentation were</p> <p>6 derived by FGIC and -- but in response to your</p> <p>7 question about the confidential information, I</p> <p>8 can't point to a specific number or fact that</p> <p>9 is -- that is in this presentation as a result of</p> <p>10 that meeting with Lazard and FGIC.</p> <p>11 Q. You responded that your knowledge of</p> <p>12 the plan was enhanced by the conversation. How</p> <p>13 so?</p> <p>14 A. Well, we understood better how the CPP</p> <p>15 works, the adjustments up or down, how the DPO</p> <p>16 works, the DPO accretion, the discount rate range.</p> <p>17 We understood the differences between the base</p> <p>18 case and the stress case. We understood the</p> <p>19 assumptions underlying the claims that are</p> <p>20 incorporated in the plan, understood what's</p> <p>21 included and not included in those projected</p> <p>22 payments, and the potential recoveries that FGIC</p> <p>23 would have.</p> <p>24 Q. How did you understand better, as a</p> <p>25 result of the meeting, how the CPP works?</p>	<p style="text-align: right;">Page 37</p> <p>1 Pfeiffer - Confidential</p> <p>2 those conversations?</p> <p>3 A. Not that I know of.</p> <p>4 Q. Were you communicating with other</p> <p>5 colleagues at Duff & Phelps by e-mail about the</p> <p>6 communications and information that you were</p> <p>7 receiving from either FGIC or Lazard?</p> <p>8 A. Not that I recall.</p> <p>9 Q. Did you have any e-mail communications</p> <p>10 with your colleagues in connection with the</p> <p>11 analysis that you undertook starting in late March</p> <p>12 of 2013 up through the end of May 2013?</p> <p>13 A. Yes.</p> <p>14 MR. KOTWICK: Object to the form.</p> <p>15 Q. And did those e-mail communications</p> <p>16 identify any of the confidential information that</p> <p>17 was communicated to Duff & Phelps by either FGIC's</p> <p>18 chief restructuring officer or Lazard or the</p> <p>19 financial advisors to Weil, Gotshal?</p> <p>20 A. To the extent that we learned more</p> <p>21 about the plan in those confidential</p> <p>22 communications and those -- and that knowledge is</p> <p>23 presented on -- in this presentation as of May</p> <p>24 15th and the draft presentations on May 6th, those</p> <p>25 may have been communicated with me via e-mail as</p>

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<p style="text-align: right;">Page 38</p> <p>1 Pfeiffer - Confidential</p> <p>2 well.</p> <p>3 Q. Do you know if those e-mails have been</p> <p>4 produced?</p> <p>5 A. I believe you have received -- I don't</p> <p>6 know for sure, but I believe that you have</p> <p>7 received the e-mail that reflects the draft</p> <p>8 communication of our -- of our results as of May</p> <p>9 6th. And the confidential understanding that we</p> <p>10 received from FGIC is incorporated in that draft</p> <p>11 presentation.</p> <p>12 Q. But I'm asking whether, if you know,</p> <p>13 the e-mails that identified the confidential</p> <p>14 information that was communicated to Duff & Phelps</p> <p>15 by either FGIC's chief restructuring officer or</p> <p>16 Lazard have been produced.</p> <p>17 MR. KOH: Objection.</p> <p>18 MR. KOTWICK: Objection to form,</p> <p>19 misstates prior testimony.</p> <p>20 A. I don't believe that there was any</p> <p>21 e-mail that identifies in particular any</p> <p>22 confidential information.</p> <p>23 Q. Okay.</p> <p>24 Looking back at paragraph 14 in Exhibit</p> <p>25 1, you say, Based in part on confidential</p>	<p style="text-align: right;">Page 40</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. They refused to provide us some detail</p> <p>3 that we -- that -- that we asked for, yes.</p> <p>4 Q. What detail did you ask for that FGIC's</p> <p>5 chief restructuring officer refused to provide</p> <p>6 you?</p> <p>7 A. I wouldn't pin it on FGIC's chief</p> <p>8 restructuring officer, but I would say that the</p> <p>9 members of the meeting, including FGIC's chief</p> <p>10 restructuring officer, Lazard, and Weil, Gotshal</p> <p>11 did not provide us the detailed model that went</p> <p>12 behind the rehabilitation plan.</p> <p>13 Q. Did they tell you why they wouldn't</p> <p>14 give it to you?</p> <p>15 A. I don't recall.</p> <p>16 Q. Who asked for it?</p> <p>17 A. Members of my team.</p> <p>18 Q. And you were told that FGIC refused to</p> <p>19 provide that; is that correct?</p> <p>20 MR. SIDMAN: Objection.</p> <p>21 A. I wouldn't choose the word "refused."</p> <p>22 I would say that they -- they did not provide it.</p> <p>23 Q. Is there any other confidential</p> <p>24 information that you requested that FGIC did not</p> <p>25 provide?</p>
<p style="text-align: right;">Page 39</p> <p>1 Pfeiffer - Confidential</p> <p>2 information communicated by FGIC's chief</p> <p>3 restructuring officer, D&P performed its analysis</p> <p>4 to determine a reasonable range.</p> <p>5 Do you see that language?</p> <p>6 A. I do.</p> <p>7 Q. What confidential information was</p> <p>8 communicated by FGIC's chief restructuring officer</p> <p>9 that you then used or that D&P used to perform its</p> <p>10 financial analysis?</p> <p>11 MR. SIDMAN: Objection, asked and</p> <p>12 answered.</p> <p>13 A. As I said previously, my understanding</p> <p>14 is that it was a broader and enhanced</p> <p>15 understanding of the rehabilitation plan that was</p> <p>16 communicated by FGIC's chief restructuring officer</p> <p>17 and Lazard, and that is what is referred to in</p> <p>18 paragraph 14 of the report that you have in front</p> <p>19 of you.</p> <p>20 Q. Did FGIC's chief restructuring officer</p> <p>21 provide answers to questions that you and your</p> <p>22 colleagues posed?</p> <p>23 A. To some of the questions, yes.</p> <p>24 Q. Did they refuse to answer other</p> <p>25 questions?</p>	<p style="text-align: right;">Page 41</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Along the same lines, we did not</p> <p>3 receive extensive, detailed understanding of the</p> <p>4 claim assumptions, the assumptions that underlie</p> <p>5 the rehabilitation plan.</p> <p>6 Q. Did you ask for such information?</p> <p>7 A. We would have liked to have seen that</p> <p>8 information.</p> <p>9 Q. Did you ask for it?</p> <p>10 A. I believe we did.</p> <p>11 Q. And did FGIC refuse to provide it?</p> <p>12 MR. SIDMAN: Objection.</p> <p>13 A. I believe they were trying to be</p> <p>14 helpful in answering a lot of our questions with</p> <p>15 regard to what was included in the claim</p> <p>16 assumptions and what was not included. But they</p> <p>17 didn't provide the actual numbers, and they did</p> <p>18 not provide significant detail with regard to</p> <p>19 every assumption.</p> <p>20 Q. And did you ask for significant detail</p> <p>21 with respect to every assumption?</p> <p>22 MR. SIDMAN: Objection.</p> <p>23 A. As technical people and as advisors, we</p> <p>24 always like to get as much of the underlying</p> <p>25 numbers as we can get. We had a discussion about</p>

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<p style="text-align: right;">Page 42</p> <p>1 Pfeiffer - Confidential</p> <p>2 what was appropriate, what was available to us,</p> <p>3 and we appreciated the meeting we had and the</p> <p>4 conversation we had. But as I previously</p> <p>5 testified, we did not get the actual spreadsheets</p> <p>6 behind the rehabilitation plan.</p> <p>7 Q. Did you ask for them?</p> <p>8 A. As I said before, I believe we did.</p> <p>9 Q. Who?</p> <p>10 A. Members of my team.</p> <p>11 Q. What is the basis of your belief?</p> <p>12 MR. SIDMAN: Objection.</p> <p>13 A. My belief is based on the conversations</p> <p>14 I've had with my team.</p> <p>15 Q. You said, "As technical people and as</p> <p>16 advisors, we always like to get as much of the</p> <p>17 underlying numbers as we can get."</p> <p>18 Why is that?</p> <p>19 A. Primarily because we don't then have to</p> <p>20 re-create the numbers and spend the time to</p> <p>21 re-create the numbers in Excel by ourselves and go</p> <p>22 into INtex and do more analysis with respect to</p> <p>23 claims as well.</p> <p>24 Q. Let's go back to page 5 of Attachment 3</p> <p>25 in Exhibit 1.</p>	<p style="text-align: right;">Page 44</p> <p>1 Pfeiffer - Confidential</p> <p>2 are laid out. And as I said before, we added the</p> <p>3 letters and the description of what those letters</p> <p>4 mean on the left. That's what Duff & Phelps</p> <p>5 added.</p> <p>6 Q. And why did you provide this to the</p> <p>7 trustees in connection with the presentations that</p> <p>8 you made? And by "this" I mean page 5.</p> <p>9 A. We provided it purely to provide -- to</p> <p>10 provide additional context to the trustees and</p> <p>11 counsel in understanding the settlement proposal.</p> <p>12 Q. If you look on the left side of page 5,</p> <p>13 it states in the first bullet: "The following</p> <p>14 proposal is based on the following three main</p> <p>15 assumptions, colon."</p> <p>16 Do you see that?</p> <p>17 A. I do.</p> <p>18 Q. Those assumptions were assumptions by</p> <p>19 FGIC; is that correct?</p> <p>20 A. Yes.</p> <p>21 Q. And the first assumption under the</p> <p>22 first dash beneath that language is "initial cash</p> <p>23 payment percentages of 17.25 percent (based on the</p> <p>24 updated stress scenario pursuant to the plan)."</p> <p>25 Do you see that?</p>
<p style="text-align: right;">Page 43</p> <p>1 Pfeiffer - Confidential</p> <p>2 Is it fair and accurate to say at least</p> <p>3 so far the information that appears on this page</p> <p>4 was provided by FGIC? Page 5.</p> <p>5 MR. SIDMAN: Objection, asked and</p> <p>6 answered.</p> <p>7 A. Can you please repeat the question?</p> <p>8 Q. The information that appears on page 5</p> <p>9 was provided by FGIC?</p> <p>10 MR. KOTWICK: Objection to form.</p> <p>11 A. As I testified to earlier, the numbers</p> <p>12 on this page are from FGIC. The calculations are</p> <p>13 from FGIC. The layout of the numbers I believe is</p> <p>14 from FGIC. The words on the page in terms of the</p> <p>15 letters to the right of the page -- A, B, C,</p> <p>16 through the letter N -- are additions that were</p> <p>17 provided by Duff & Phelps to allow for the reader</p> <p>18 to better understand the numbers themselves.</p> <p>19 Q. Okay. What else did Duff & Phelps</p> <p>20 supply, other than the format, in connection with</p> <p>21 page 5 of the May 15th presentation?</p> <p>22 MR. SIDMAN: Objection to form.</p> <p>23 A. My understanding is that we did not</p> <p>24 even provide the format in terms of the way the</p> <p>25 numbers and lines associated with those numbers</p>	<p style="text-align: right;">Page 45</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I do.</p> <p>3 Q. And that was provided by FGIC; is that</p> <p>4 correct?</p> <p>5 A. The assumption is from FGIC, yes.</p> <p>6 Q. Yes.</p> <p>7 And did you conclude that that</p> <p>8 assumption is reasonable?</p> <p>9 MR. KOTWICK: Objection to the form.</p> <p>10 MR. SIDMAN: Objection.</p> <p>11 A. We drew no conclusions on this page</p> <p>12 with respect to the reasonableness of any</p> <p>13 assumptions.</p> <p>14 Q. Did you evaluate whether that</p> <p>15 assumption was reasonable?</p> <p>16 MR. KOTWICK: Objection to the form.</p> <p>17 MR. SIDMAN: Objection.</p> <p>18 A. It wasn't the scope -- it was not the</p> <p>19 scope of our analysis to evaluate whether any</p> <p>20 particular assumption by FGIC was reasonable.</p> <p>21 However, we looked at the reasonableness of the</p> <p>22 plan overall.</p> <p>23 Q. Right. I'm not asking about the plan</p> <p>24 overall right now; I'm asking about that</p> <p>25 assumption.</p>

12 (Pages 42 - 45)

<p style="text-align: right;">Page 46</p> <p>1 Pfeiffer - Confidential</p> <p>2 Did you do any evaluation as to whether</p> <p>3 that assumption was reasonable?</p> <p>4 MR. KOTWICK: Objection to the form.</p> <p>5 MR. SIDMAN: Objection.</p> <p>6 A. Our analysis was not focused on whether</p> <p>7 17.25 initial CPP was reasonable as compared to</p> <p>8 16.25 or 18.25. It was not the focus of our</p> <p>9 analysis.</p> <p>10 Q. Therefore you didn't conclude that it</p> <p>11 was unreasonable; is that correct?</p> <p>12 MR. KOTWICK: Objection to form.</p> <p>13 MR. SIDMAN: Objection.</p> <p>14 A. That's correct.</p> <p>15 Q. The next dash states, "B, base case</p> <p>16 payout to policyholders of 28.5 percent based on</p> <p>17 the updated base scenario pursuant to the plan</p> <p>18 assuming a 15 percent discount rate, paren."</p> <p>19 Do you see that?</p> <p>20 A. I do.</p> <p>21 Q. What is your understanding as to what</p> <p>22 FGIC was referring to when it talked about a base</p> <p>23 case payout?</p> <p>24 MR. SIDMAN: Objection to form.</p> <p>25 A. My understanding is that a base case</p>	<p style="text-align: right;">Page 48</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. My understanding is that when one</p> <p>3 presents a plan and FGIC, in presenting its</p> <p>4 rehabilitation plan, must be prudent and present</p> <p>5 not only their base case but some estimation of a</p> <p>6 stress case for a number of reasons, which include</p> <p>7 to provide full context and disclosure to the</p> <p>8 readers of that plan; and second, in this case to</p> <p>9 ensure that the initial cash payment percentage is</p> <p>10 consistent with the stress scenario.</p> <p>11 Q. And where did you get -- come to your</p> <p>12 understanding that FGIC, in presenting its</p> <p>13 rehabilitation plan, must be prudent?</p> <p>14 A. From my experience in reviewing plans</p> <p>15 of rehabilitation and reorganization and from my</p> <p>16 experience in working with many corporations in</p> <p>17 presenting their plans, it is -- it is -- it is</p> <p>18 typical to present more than one scenario to</p> <p>19 provide the reader that kind of additional</p> <p>20 context.</p> <p>21 Q. And did you reach any conclusion as to</p> <p>22 whether FGIC or the rehabilitators were not being</p> <p>23 prudent in presenting their base case and their</p> <p>24 stress case in the rehabilitation plan?</p> <p>25 MR. SIDMAN: Objection to form.</p>
<p style="text-align: right;">Page 47</p> <p>1 Pfeiffer - Confidential</p> <p>2 payout refers to the payout to policyholders over</p> <p>3 the next 40 -- approximately 40 years. And that</p> <p>4 payout under the base case means under the base</p> <p>5 case of assumptions as reflected in the</p> <p>6 rehabilitation plan.</p> <p>7 Q. And do you understand that FGIC also</p> <p>8 employed a stress case?</p> <p>9 MR. SIDMAN: Objection to form.</p> <p>10 A. I do.</p> <p>11 Q. And indeed it's referred to in the</p> <p>12 first assumption -- is that correct? -- updated</p> <p>13 stress scenario?</p> <p>14 A. Yes.</p> <p>15 Q. What is your understanding as to what</p> <p>16 the stress scenario was, or stress case?</p> <p>17 A. The stress scenario relates to a more</p> <p>18 stressed economic environment, including</p> <p>19 assumptions for higher unemployment and a weaker</p> <p>20 real estate market and additional claims made to</p> <p>21 FGIC.</p> <p>22 Q. And what is your understanding as to</p> <p>23 why FGIC had a base case and a stress case</p> <p>24 identified in the rehabilitation plan?</p> <p>25 MR. SIDMAN: Objection to form.</p>	<p style="text-align: right;">Page 49</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. KOTWICK: Objection to form.</p> <p>3 Q. Okay. So the question was -- and there</p> <p>4 were objections -- did you reach any conclusion as</p> <p>5 to whether FGIC or the rehabilitator were not</p> <p>6 being prudent in presenting their base case and</p> <p>7 their stress case in the rehabilitation plan.</p> <p>8 MR. KOH: Objection.</p> <p>9 Go ahead.</p> <p>10 A. No, we did not reach any conclusion</p> <p>11 that they were not prudent in presenting their</p> <p>12 plans.</p> <p>13 Q. Did you believe that they presented the</p> <p>14 stress case and the base case in good faith?</p> <p>15 MR. SIDMAN: Objection.</p> <p>16 A. Yes.</p> <p>17 Q. Did you have any reason to believe that</p> <p>18 the information contained in the base case and the</p> <p>19 stress case was inaccurate?</p> <p>20 MR. SIDMAN: Objection.</p> <p>21 A. No.</p> <p>22 Q. Do you have an understanding as to why</p> <p>23 FGIC or the rehabilitators did not prepare and</p> <p>24 present an upside case?</p> <p>25 MR. SIDMAN: Objection.</p>

13 (Pages 46 - 49)

<p style="text-align: right;">Page 50</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. KOH: Objection.</p> <p>3 A. Yes.</p> <p>4 Q. Why is that?</p> <p>5 A. I don't think it would be as</p> <p>6 instructive to the reader of the rehabilitation</p> <p>7 plan as the two scenarios that were presented.</p> <p>8 Q. And why is that?</p> <p>9 A. I think that the base case is presented</p> <p>10 for obvious reasons. It's the base case. And as</p> <p>11 I mentioned earlier, the stress case was needed in</p> <p>12 order to ensure that the initial CPP percentage</p> <p>13 was not too large.</p> <p>14 Q. And do you believe that -- strike that.</p> <p>15 You said that the base case is for</p> <p>16 obvious reasons the base case. What do you mean</p> <p>17 by that?</p> <p>18 A. I mean that in presenting a plan you're</p> <p>19 going to start with your base case.</p> <p>20 Q. Is a base case, in your understanding,</p> <p>21 the case that FGIC believes is the most likely to</p> <p>22 occur?</p> <p>23 MR. SIDMAN: Objection to form.</p> <p>24 MR. KOTWICK: Objection to form.</p> <p>25 MR. KOH: Objection.</p>	<p style="text-align: right;">Page 52</p> <p>1 Pfeiffer - Confidential</p> <p>2 was arrived at by FGIC as the midpoint between the</p> <p>3 10 percent and the 20 percent discount rates that</p> <p>4 were used in their various analyses?</p> <p>5 MR. SIDMAN: Objection to form.</p> <p>6 A. My understanding is that FGIC and</p> <p>7 Lazard arrived at 15 percent as the midpoint</p> <p>8 between 10 and 20 percent.</p> <p>9 Q. Did they tell you that they thought</p> <p>10 that was reasonable?</p> <p>11 MR. SIDMAN: Objection.</p> <p>12 A. Yes.</p> <p>13 Q. And they said it was reasonable in</p> <p>14 their view?</p> <p>15 A. Yes.</p> <p>16 Q. And did you say that was unreasonable?</p> <p>17 A. No.</p> <p>18 Q. Did you conclude that it was</p> <p>19 unreasonable?</p> <p>20 A. No.</p> <p>21 Q. Did you challenge their use of it in</p> <p>22 this calculation?</p> <p>23 MR. KOTWICK: Objection to the form.</p> <p>24 A. I wouldn't use the term "challenge."</p> <p>25 We discussed their use of the range of discount</p>
<p style="text-align: right;">Page 51</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I would characterize it not as most</p> <p>3 likely to occur because in any projection there is</p> <p>4 undoubtedly going to be variance from that</p> <p>5 projection as time unfolds. So I would say it is</p> <p>6 the expected case.</p> <p>7 Q. And when you say "expected," is it your</p> <p>8 understanding that it was expected by FGIC and the</p> <p>9 rehabilitators more so than the stress case?</p> <p>10 MR. SIDMAN: Objection to form.</p> <p>11 MR. KOH: Objection.</p> <p>12 A. Yes.</p> <p>13 Q. Now, going back to page 5, the</p> <p>14 assumption used by FGIC in its base case -- strike</p> <p>15 that.</p> <p>16 The assumption used by FGIC in the</p> <p>17 calculation that appears on page 5 was based on</p> <p>18 the base case payout to policyholders based on a</p> <p>19 15 percent discount rate; is that correct?</p> <p>20 MR. SIDMAN: Objection to form.</p> <p>21 A. FGIC presented -- FGIC and Lazard</p> <p>22 presented a 28.5 percent base case payout number</p> <p>23 based on what they presented to be a discount rate</p> <p>24 of 15 percent.</p> <p>25 Q. Did you understand that the 15 percent</p>	<p style="text-align: right;">Page 53</p> <p>1 Pfeiffer - Confidential</p> <p>2 rates with FGIC and Lazard.</p> <p>3 Q. Did you believe they should use a</p> <p>4 different discount rate?</p> <p>5 A. No.</p> <p>6 Q. And you didn't tell them they should</p> <p>7 use a different discount rate; correct?</p> <p>8 A. We did not tell them what discount rate</p> <p>9 to use, no.</p> <p>10 Q. And do you believe that using a 15</p> <p>11 percent discount rate on the base case payout, the</p> <p>12 result would be a 28.5 percent calculation?</p> <p>13 MR. SIDMAN: Objection to form.</p> <p>14 MR. SIEGEL: I'm sorry, I don't know if</p> <p>15 the witness understands the question.</p> <p>16 MR. BAIO: You have an objection?</p> <p>17 Object to form and we'll move on. Okay?</p> <p>18 MR. SIEGEL: Object to form.</p> <p>19 A. I could not replicate the 28.5 percent</p> <p>20 payout based on a 15 percent discount rate. But</p> <p>21 my understanding is that that is what FGIC -- what</p> <p>22 FGIC's model resulted in.</p> <p>23 Q. And do you believe that they were</p> <p>24 accurately conveying to you what their model</p> <p>25 resulted in?</p>

<p style="text-align: right;">Page 54</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. SIDMAN: Objection.</p> <p>3 A. I believe that they were accurately in</p> <p>4 good faith presenting what the -- what resulted</p> <p>5 from their model.</p> <p>6 Q. Let's look at the chart on the right</p> <p>7 where it says information points. Do you see</p> <p>8 that?</p> <p>9 A. I do.</p> <p>10 Q. And under the words "information</p> <p>11 points," the first two entries include the first</p> <p>12 two assumptions -- is that correct? -- that is, a</p> <p>13 17.25 percent CPP and a base case payout of 28.5</p> <p>14 percent; is that correct?</p> <p>15 A. That's what it says.</p> <p>16 Q. Okay. And if those assumptions are</p> <p>17 different, then some of the numbers that follow</p> <p>18 would be different; correct?</p> <p>19 MR. SIDMAN: Objection.</p> <p>20 MR. KOTWICK: Objection to form.</p> <p>21 A. If those numbers were different, some</p> <p>22 of the numbers that follow would be different.</p> <p>23 Q. The first line under what I've read</p> <p>24 says, "ResCap-sponsored RMBS claim per FGIC."</p> <p>25 Do you see that?</p>	<p style="text-align: right;">Page 56</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Where did you get that understanding?</p> <p>3 A. As footnoted in the report, it is from</p> <p>4 a memorandum of law in support of the approval of</p> <p>5 the plan of rehabilitation for FGIC dated October</p> <p>6 25th, 2012.</p> <p>7 Q. And did you reach a conclusion as to</p> <p>8 whether the rehabilitation plan that was proposed</p> <p>9 as amended by FGIC was presented in a fair and</p> <p>10 equitable manner in order to remove the causes and</p> <p>11 conditions that made the rehabilitation proceeding</p> <p>12 necessary?</p> <p>13 MR. KOH: Objection.</p> <p>14 MR. SIDMAN: Objection to form.</p> <p>15 A. It was not the scope of our assignment</p> <p>16 to draw conclusions with respect to that.</p> <p>17 Q. Well, did you reach a conclusion as to</p> <p>18 whether FGIC and the rehabilitators acted in good</p> <p>19 faith in presenting the rehabilitation plan?</p> <p>20 MR. KOH: Objection.</p> <p>21 MR. KOTWICK: Objection to form.</p> <p>22 MR. SIDMAN: Objection.</p> <p>23 A. We believe they acted in good faith.</p> <p>24 Q. And do you believe they acted in a fair</p> <p>25 and equitable manner toward policyholders?</p>
<p style="text-align: right;">Page 55</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I do.</p> <p>3 Q. What is your understanding as to what</p> <p>4 that is?</p> <p>5 A. A proof of claim was filed by FGIC in</p> <p>6 late 2012, and in that proof of claim there's a</p> <p>7 \$1.85 billion number.</p> <p>8 Q. And how did FGIC derive that number, if</p> <p>9 you know?</p> <p>10 MR. KOH: Objection.</p> <p>11 A. My understanding of that number and its</p> <p>12 derivation is listed in my report in paragraph 27.</p> <p>13 Q. Thank you.</p> <p>14 Can you look at paragraph 17 in your</p> <p>15 report?</p> <p>16 A. Yes.</p> <p>17 Q. The heading leading up to that is "goal</p> <p>18 of the rehabilitation plan." Do you see that?</p> <p>19 You state, "The stated goal of the rehabilitation</p> <p>20 plan is to treat FGIC's policyholders in a fair</p> <p>21 and equitable manner in order to remove the causes</p> <p>22 and conditions that made the rehabilitation</p> <p>23 proceeding necessary."</p> <p>24 Do you see that?</p> <p>25 A. I do.</p>	<p style="text-align: right;">Page 57</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. KOTWICK: Objection to form.</p> <p>3 MR. KOH: Objection.</p> <p>4 A. I believe they made a good-faith</p> <p>5 attempt to treat FGIC's policyholders in a fair</p> <p>6 and equitable manner.</p> <p>7 Q. Your next sentence in paragraph 17</p> <p>8 states, "The rehabilitation plan provides for all</p> <p>9 of the value of FGIC, other than administrative</p> <p>10 expenses and certain other costs, to go to FGIC</p> <p>11 policyholders until the policyholders are paid in</p> <p>12 full."</p> <p>13 Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. And that is your understanding;</p> <p>16 correct?</p> <p>17 A. Yes.</p> <p>18 Q. And where did you get that</p> <p>19 understanding?</p> <p>20 A. From the rehabilitation plan.</p> <p>21 Q. You then go on to state, "No claimants</p> <p>22 junior to the policyholders will receive any</p> <p>23 payment until the policyholders are paid in full</p> <p>24 in accordance with the terms of the rehabilitation</p> <p>25 plan."</p>

15 (Pages 54 - 57)

<p style="text-align: right;">Page 58</p> <p>1 Pfeiffer - Confidential</p> <p>2 Do you see that?</p> <p>3 A. I do.</p> <p>4 Q. Did you believe that was accurate at</p> <p>5 the time you wrote this and today?</p> <p>6 MR. KOTWICK: Objection to form.</p> <p>7 A. Yes.</p> <p>8 Q. All right. So going back to page 5 of</p> <p>9 your May 15th presentation. Do you believe that</p> <p>10 FGIC identified the ResCap-sponsored RMBS claim in</p> <p>11 good faith, that is, the 1 million 850 -- I'm</p> <p>12 sorry, 1 billion 850 thousand dollars?</p> <p>13 MR. SIDMAN: Objection.</p> <p>14 MR. KOTWICK: Objection to form.</p> <p>15 A. I would correct your question, if you</p> <p>16 don't mind.</p> <p>17 Q. Please do. Not at all.</p> <p>18 A. I think it's 1 billion 850 million.</p> <p>19 Q. Okay.</p> <p>20 A. But other than that, I believe they</p> <p>21 presented it in good faith.</p> <p>22 Q. Then it says less cost, interest,</p> <p>23 et cetera. What is your understanding as to what</p> <p>24 that reflects?</p> <p>25 A. Exactly what the words imply.</p>	<p style="text-align: right;">Page 60</p> <p>1 Pfeiffer - Confidential</p> <p>2 rehabilitator how they arrived at the 1 million --</p> <p>3 1 billion 850 million dollar figure?</p> <p>4 A. I believe we did.</p> <p>5 Q. Did you get a satisfactory answer?</p> <p>6 MR. SIDMAN: Objection.</p> <p>7 MR. KOH: Objection.</p> <p>8 A. Broadly speaking, we did.</p> <p>9 Q. Did you think that there was anything</p> <p>10 unreasonable about their analysis?</p> <p>11 A. No.</p> <p>12 MR. SIDMAN: Objection.</p> <p>13 Q. So the item total projected claims in</p> <p>14 POC, the third line in the chart we've been</p> <p>15 addressing, what is your understanding as to what</p> <p>16 that is?</p> <p>17 A. POC is the proof of claim.</p> <p>18 Q. Yes.</p> <p>19 A. And my understanding is that is from</p> <p>20 the proof of claim that, as I mentioned earlier,</p> <p>21 is described --</p> <p>22 Q. Paragraph 27?</p> <p>23 A. -- in paragraph 27 as dated November</p> <p>24 16th, 2012. My understanding is that is the</p> <p>25 beginning basis for the numbers that are presented</p>
<p style="text-align: right;">Page 59</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. What is the "et cetera"?</p> <p>3 A. Nothing comes to mind right now.</p> <p>4 Q. So those costs and interest and</p> <p>5 whatever other factors should be reduced from the</p> <p>6 ResCap-sponsored RMBS claim number; is that</p> <p>7 correct?</p> <p>8 MR. KOH: Objection.</p> <p>9 A. Yes.</p> <p>10 Q. Why is that?</p> <p>11 A. Because the projected claim is the 1.85</p> <p>12 of damage less the cost and interest associated</p> <p>13 with that damage -- or claim, I should say, not</p> <p>14 damage. They are not entitled to project a</p> <p>15 claim -- to actually project a claim of the costs</p> <p>16 and the interest.</p> <p>17 Q. And do you believe that FGIC in good</p> <p>18 faith estimated the costs and interest factors and</p> <p>19 other factors that should be reduced -- should be</p> <p>20 deducted from the RMBS claim to identify a total</p> <p>21 projected claim number?</p> <p>22 MR. KOTWICK: Objection.</p> <p>23 MR. SIDMAN: Objection.</p> <p>24 A. Yes.</p> <p>25 Q. Did you ask the FGIC folks or the</p>	<p style="text-align: right;">Page 61</p> <p>1 Pfeiffer - Confidential</p> <p>2 on this page.</p> <p>3 Q. Okay. And you believe that number was</p> <p>4 generated by FGIC in good faith; correct?</p> <p>5 MR. SIDMAN: Objection.</p> <p>6 A. Yes.</p> <p>7 Q. The next entry is claims paid to date,</p> <p>8 and it identifies a figure of \$344 million. Do</p> <p>9 you see that?</p> <p>10 A. I do.</p> <p>11 Q. What is that?</p> <p>12 A. That represents the claims -- the</p> <p>13 claims that were already paid by FGIC to the -- to</p> <p>14 the trust -- to the investors that were wrapped by</p> <p>15 FGIC as of March 31st, 2013. It's the claims that</p> <p>16 were paid from the beginning through the date in</p> <p>17 which FGIC stopped making payments.</p> <p>18 Q. And based on the work that you did, do</p> <p>19 you believe that that's an accurate number for the</p> <p>20 claims that were paid to date on the date that you</p> <p>21 identified?</p> <p>22 A. My understanding is that the number is</p> <p>23 343 or 344. It's roughly accurate, yes.</p> <p>24 Q. And you understand how that was</p> <p>25 derived; correct? You understand what FGIC did in</p>

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1 Pfeiffer - Confidential
2 order to reach the conclusion that the number was
3 around 344 million?
4 MR. KOTWICK: Objection.
5 MR. KOH: Objection.
6 MR. SIDMAN: Objection.
7 A. Yes.
8 Q. So that was then deducted from the
9 total projected claims in the proof of claim to
10 arrive at estimated unpaid claims; is that
11 correct?
12 A. That is correct.
13 Q. And the estimated unpaid claims number
14 is 1 billion 270 million dollars?
15 A. That's correct.
16 Q. And you believe that FGIC and the
17 rehabilitators arrived at that number in good
18 faith; correct?
19 A. Yes.
20 Q. And in your meetings with -- your
21 meetings or the meetings of your colleagues with
22 FGIC or Lazard, did you or anyone state that that
23 number is inaccurate?
24 A. No.
25 Q. Next there is the accrued and unpaid AU

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1 Pfeiffer - Confidential
2 claims as of 3/31/13. Do you see that?
3 A. I do.
4 Q. And what does that number reflect?
5 A. That reflects that as of March 31st,
6 2013, there's \$789 million of accrued and unpaid,
7 "accrued and unpaid" meaning that from the date
8 that FGIC stopped making payments through March
9 31st, 2013, losses accrued and FGIC did not make
10 payments that they were obligated to make
11 corresponds to those losses.
12 Q. And did FGIC identify for you, FGIC or
13 the rehabilitator, how they arrived at the number
14 of \$789 million as accrued and unpaid claims as of
15 3/31/13?
16 A. Yes.
17 Q. And how did they arrive at that number?
18 MR. KOH: Objection.
19 A. They arrived at that number by going
20 back and looking at the losses in the various 47
21 insured trusts and compiling those numbers. It's
22 consistent with our calculations of the accrued
23 and unpaid amounts.
24 Q. So you agree with that calculation; is
25 that correct?

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2 A. We tested it by looking at the same 47
3 trusts' accrued and unpaid amounts as of December
4 of 2012 and arrived at a number that is slightly
5 lower than the 789, which provided us comfort that
6 the 789 is an accurate number.
7 Q. And the final line in page -- in the
8 chart on page 5, the upper chart, is future
9 estimated claims. Do you see that?
10 A. I do.
11 Q. And what is your understanding as to
12 what the number 481 reflects?
13 A. The losses of principal and interest in
14 these 47 trusts subsequent to March 31st, 2013,
15 were approximated to be, in nominal dollars, \$481
16 million.
17 Q. Did FGIC provide you information as to
18 how they reached that number?
19 A. We had discussions around how they
20 reached that number.
21 Q. What is your understanding as to how
22 they reached that number?
23 A. They reached that number by looking at
24 the historical performance related to those trusts
25 and projected forward that performance to arrive

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2 at an estimate of future claims.
3 Q. And do you believe that they arrived at
4 that estimated number for future claims in good
5 faith?
6 A. Yes.
7 Q. Do you believe the number is accurate?
8 A. I believe it represents a number that
9 is within the range of what could be an accurate
10 assessment.
11 Q. So then let's go to commutation
12 considerations. Can you tell me when the first
13 line, claims A&U cash at initial CPP, is?
14 A. Yes.
15 Q. What is it?
16 A. FGIC, in providing this number,
17 calculates the 17.25 percent of the \$789 million
18 of accrued and unpaid claims as of March 31st,
19 2013.
20 Q. And that amount is \$136.1 million?
21 A. Yes.
22 Q. Do you believe that number is accurate?
23 A. I believe it's substantially accurate.
24 I can do the exact math. But it's -- if not
25 accurate, it's close to accurate.

<p style="text-align: right;">Page 66</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. And this is an amount that the trust</p> <p>3 would receive as an initial CPP; is that correct?</p> <p>4 MR. KOTWICK: Objection to form.</p> <p>5 MR. SIDMAN: Objection.</p> <p>6 MR. KOH: Objection.</p> <p>7 A. When you say "the trust," I'm not</p> <p>8 understanding what you mean.</p> <p>9 Q. Who would receive this \$136 million</p> <p>10 figure under the rehabilitation plan?</p> <p>11 A. The investors in the 47 insured trusts.</p> <p>12 Q. Okay. And that's under the plan based</p> <p>13 on these calculations; correct?</p> <p>14 MR. KOTWICK: Objection to form.</p> <p>15 A. Yes.</p> <p>16 Q. What is the next entry: claims A&U</p> <p>17 base case payout less initial CPP?</p> <p>18 A. This is an amount of payout on the</p> <p>19 accrued and unpaid claims that would be paid to</p> <p>20 the 47 insured trusts over time subsequent to the</p> <p>21 initial CPP.</p> <p>22 Q. And that is a FGIC calculation;</p> <p>23 correct?</p> <p>24 A. Every -- every one of these numbers is</p> <p>25 a FGIC calculation.</p>	<p style="text-align: right;">Page 68</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Yes.</p> <p>3 Q. What is your understanding as to what</p> <p>4 that reflects?</p> <p>5 A. That reflects the portion of the future</p> <p>6 estimated claims that would be paid out to the 47</p> <p>7 insured trusts.</p> <p>8 Q. And how was it that FGIC or the</p> <p>9 rehabilitator reached the conclusion that \$137.1</p> <p>10 million is appropriate in identifying the future</p> <p>11 estimated claims of the base case payout?</p> <p>12 MR. KOH: Objection.</p> <p>13 MR. SIDMAN: Objection to form.</p> <p>14 A. You have to ask FGIC that, I'm sorry.</p> <p>15 Q. What is your understanding as to the</p> <p>16 FGIC analysis that went into reaching the \$137.1</p> <p>17 million figure for future estimated base claims?</p> <p>18 MR. KOTWICK: Objection to form.</p> <p>19 MR. SIDMAN: Objection.</p> <p>20 A. My understanding is that the claims are</p> <p>21 made at a point in time as they occur, as the</p> <p>22 losses occur, as losses are accrued over time.</p> <p>23 And then the -- then FGIC calculated, based on the</p> <p>24 CPP, the timing in which those claims would be</p> <p>25 paid in a recovery to the 47 insured trusts. And</p>
<p style="text-align: right;">Page 67</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. And do you believe that that</p> <p>3 calculation is reasonable?</p> <p>4 MR. KOTWICK: Objection to form.</p> <p>5 MR. SIDMAN: Objection.</p> <p>6 MR. KOH: Objection.</p> <p>7 A. I believe it was provided in good</p> <p>8 faith.</p> <p>9 Q. You can't say whether you view it as</p> <p>10 reasonable?</p> <p>11 A. We did not make a separate</p> <p>12 determination as to whether the \$88.8 million</p> <p>13 number was reasonable.</p> <p>14 Q. Did you believe that FGIC or the</p> <p>15 rehabilitator had an incentive to overstate that</p> <p>16 number?</p> <p>17 MR. SIDMAN: Objection.</p> <p>18 A. No.</p> <p>19 Q. You believe they had an incentive to</p> <p>20 understate that number?</p> <p>21 MR. SIDMAN: Objection.</p> <p>22 A. No.</p> <p>23 Q. The next amount is claims, future</p> <p>24 estimated claims, at base case payout of 137.1</p> <p>25 million. Do you see that?</p>	<p style="text-align: right;">Page 69</p> <p>1 Pfeiffer - Confidential</p> <p>2 FGIC estimated the payout based on a range of</p> <p>3 discount rates as we discussed earlier.</p> <p>4 Q. Does this figure include a range of</p> <p>5 discount rates or a fixed discount rate at 15</p> <p>6 percent?</p> <p>7 MR. SIDMAN: Objection.</p> <p>8 A. This figure of 137 is based on the</p> <p>9 midpoint of those ranges of 15 percent.</p> <p>10 Q. Okay. And do you believe that the</p> <p>11 calculation that was done by FGIC and/or the</p> <p>12 rehabilitator was done in good faith?</p> <p>13 MR. SIDMAN: Objection.</p> <p>14 A. I do.</p> <p>15 Q. And do you believe it was reasonable?</p> <p>16 MR. KOTWICK: Objection to form.</p> <p>17 A. We did not make a separate</p> <p>18 determination as to whether the number 137 was</p> <p>19 reasonable.</p> <p>20 Q. And that's because you weren't asked</p> <p>21 to?</p> <p>22 A. That's correct.</p> <p>23 Q. And do you know of any reason why FGIC</p> <p>24 or the rehabilitator would either overstate or</p> <p>25 understate that number?</p>

<p style="text-align: right;">Page 70</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I know of no such reason.</p> <p>3 Q. There then is the total of the claims</p> <p>4 AU base case payout less initial CPP, and the</p> <p>5 future estimated claims at base case payout, that</p> <p>6 is, the sum of the 88.8 million and the 137.1</p> <p>7 million.</p> <p>8 Do you see that?</p> <p>9 A. I do.</p> <p>10 Q. That's \$225.8 million; correct?</p> <p>11 A. Correct.</p> <p>12 Q. And what does that number reflect, so</p> <p>13 far as you understand according to FGIC?</p> <p>14 MR. KOH: Objection.</p> <p>15 MR. SIDMAN: Objection to form.</p> <p>16 A. That represents the total of the</p> <p>17 payment as of -- as -- the initial payment -- the</p> <p>18 initial cash payment percentage plus the value</p> <p>19 associated with the payment subsequent to the</p> <p>20 initial CPP.</p> <p>21 Q. And to that, in order to determine what</p> <p>22 the full consideration is that would be received</p> <p>23 by the inventors in the 47 trusts, do you add the</p> <p>24 136.1, the initial CPP?</p> <p>25 MR. KOTWICK: Objection to the form.</p>	<p style="text-align: right;">Page 72</p> <p>1 Pfeiffer - Confidential</p> <p>2 estimated future payments discounted, tells you on</p> <p>3 a discounted basis how much the investors would</p> <p>4 receive under this scenario; is that correct?</p> <p>5 MR. SIDMAN: Objection to form.</p> <p>6 A. It tells you -- it tells you -- really,</p> <p>7 I mean, it's 136 plus 225. As we discussed, it</p> <p>8 is -- reflects some level of discount associated</p> <p>9 with the future payments. I don't know how to</p> <p>10 more accurately described what FGIC did.</p> <p>11 Q. What is your understanding as to what</p> <p>12 they did? What does the sum reflect? What does</p> <p>13 136.1 plus 225.8 reflect?</p> <p>14 MR. SIDMAN: Objection.</p> <p>15 MR. KOH: Objection.</p> <p>16 Q. As you understand it.</p> <p>17 A. I would not -- I would not add those</p> <p>18 two numbers to reflect on anything. And as</p> <p>19 they're presented here, they're not added either.</p> <p>20 Q. Okay.</p> <p>21 A. So I wouldn't -- I wouldn't have taken</p> <p>22 that step of adding those two numbers.</p> <p>23 Q. Is it your understanding that the 136</p> <p>24 represents the cash at the initial CPP that the</p> <p>25 investors in the 47 trusts would receive under the</p>
<p style="text-align: right;">Page 71</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. SIDMAN: Objection to the form.</p> <p>3 A. Can you repeat the question, please?</p> <p>4 Q. Yes. In order to determine what the</p> <p>5 complete consideration is under the plan, based on</p> <p>6 these calculations, do you add 136.1 to 225.8?</p> <p>7 A. I'm sorry, can you repeat the first</p> <p>8 part of that question?</p> <p>9 (Record read as follows: And to that,</p> <p>10 in order to determine what the full</p> <p>11 consideration is that would be received by the</p> <p>12 inventors in the 47 trusts, do you add the</p> <p>13 136.1, the initial CPP?)</p> <p>14 A. I think it depends how you refer to the</p> <p>15 word "consideration."</p> <p>16 Q. How about payment?</p> <p>17 A. The nominal dollars of the payment is</p> <p>18 not reflected by these numbers.</p> <p>19 Q. Right. These are the discounted</p> <p>20 numbers -- correct? -- assuming a 15 percent</p> <p>21 discount rate?</p> <p>22 A. The future payments are discounted by</p> <p>23 the 15 percent discount rate.</p> <p>24 Q. So the sum of the cash at initial CPP</p> <p>25 of 136.1 plus the 225.8 million, which reflects</p>	<p style="text-align: right;">Page 73</p> <p>1 Pfeiffer - Confidential</p> <p>2 plan --</p> <p>3 A. Yes.</p> <p>4 Q. -- based on these calculations? Is it</p> <p>5 your understanding that the 225.8 million is</p> <p>6 FGIC's estimation under the assumptions identified</p> <p>7 here of what the investors in the 47 trusts would</p> <p>8 receive over time, discounted by 15 percent?</p> <p>9 MR. SIDMAN: Objection to form.</p> <p>10 MR. KOTWICK: Objection to form.</p> <p>11 A. Yes, except it's not just -- you just</p> <p>12 discount the number by 15 percent. That's not the</p> <p>13 way the discount rate calculations work but...</p> <p>14 Q. They used a 15 percent discount rate.</p> <p>15 Is that more accurate?</p> <p>16 A. Yes.</p> <p>17 Q. And the answer to the question is that</p> <p>18 that's what the 225.8 represents?</p> <p>19 MR. SIDMAN: Objection to form.</p> <p>20 A. It's been represented to us, as you see</p> <p>21 on the letters to the right, that that's what</p> <p>22 FGIC's calculations were meant to represent.</p> <p>23 Q. And you think that FGIC did that in</p> <p>24 good faith?</p> <p>25 MR. SIDMAN: Objection.</p>

<p style="text-align: right;">Page 74</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I think that FGIC presented these</p> <p>3 numbers to us in good faith, yes.</p> <p>4 Q. And FGIC had no incentive to overstate</p> <p>5 that number?</p> <p>6 MR. SIDMAN: Objection.</p> <p>7 Q. So far as you know?</p> <p>8 A. No.</p> <p>9 MR. BAIO: Let's take a short break.</p> <p>10 (Recess taken from 9:58 to 10:21.)</p> <p>11 MR. SIDMAN: Earlier today and over the</p> <p>12 last few days, there have been discussions</p> <p>13 with respect to a particular document that has</p> <p>14 been withheld because that document was</p> <p>15 created in connection with the mediation that</p> <p>16 led to the eventual FGIC settlement in this</p> <p>17 case. It was withheld on the basis that it</p> <p>18 was within the confidentiality provisions of</p> <p>19 the mediation order in this case.</p> <p>20 However, in light of the testimony of</p> <p>21 Mr. Pfeiffer today that he relied on the</p> <p>22 information contained in this particular</p> <p>23 document that I'm going to produce in a</p> <p>24 minute, which -- in connection with his</p> <p>25 preparation of the expert report of Allen M.</p>	<p style="text-align: right;">Page 76</p> <p>1 Pfeiffer - Confidential</p> <p>2 the court and whether or not we can do</p> <p>3 something this afternoon.</p> <p>4 MR. BAIO: Fair enough. I have no idea</p> <p>5 right now, but we will consider and get back</p> <p>6 to you. We don't want to waste the time of</p> <p>7 the attorneys or the court, if it can be</p> <p>8 avoided.</p> <p>9 MR. SIEGEL: Exactly.</p> <p>10 MR. BAIO: We're with you on that.</p> <p>11 I have been handed a bunch of copies of</p> <p>12 a single-page document, and that's the</p> <p>13 document that you're referring to?</p> <p>14 MR. SIDMAN: Yes.</p> <p>15 MR. BAIO: And we of course reserve all</p> <p>16 of our rights in connection with the use of</p> <p>17 the document, and we will be asking questions</p> <p>18 about it during this deposition. Thank you.</p> <p>19 MR. SIDMAN: Right.</p> <p>20 MR. GOODMAN: Can we get a copy?</p> <p>21 MR. BAIO: Sure. Yeah.</p> <p>22 I'm going to ask the reporter to mark</p> <p>23 as the next exhibit a two-page document with</p> <p>24 the Bates number DUFF-MS 00001 to 00002. That</p> <p>25 will be Pfeiffer Exhibit 2.</p>
<p style="text-align: right;">Page 75</p> <p>1 Pfeiffer - Confidential</p> <p>2 Pfeiffer dated July 19th, 2013, we have</p> <p>3 agreed -- we will agree to produce this</p> <p>4 document.</p> <p>5 We still believe that the document</p> <p>6 itself is subject to the confidentiality</p> <p>7 provisions of the mediation order, and we</p> <p>8 reserve our rights in that regard. And to the</p> <p>9 extent -- and we're still going to seek relief</p> <p>10 from the court to give us comfort and</p> <p>11 protection with respect to the production of</p> <p>12 this document and that it's not a waiver of or</p> <p>13 violation of that mediation order.</p> <p>14 We are designating it highly</p> <p>15 confidential in this matter, and we will still</p> <p>16 follow up with the court to resolve this</p> <p>17 issue.</p> <p>18 MR. SIEGEL: Just one thing with regard</p> <p>19 to that. Given the fact the court has asked</p> <p>20 us all to submit letter briefs by 5 o'clock</p> <p>21 today, it might be useful for us to know --</p> <p>22 and I don't know if you know at this moment;</p> <p>23 we have people running around doing things --</p> <p>24 we should know whether or not this alters your</p> <p>25 view on what it is that we ought to get from</p>	<p style="text-align: right;">Page 77</p> <p>1 Pfeiffer - Confidential</p> <p>2 (Pfeiffer Exhibit 2, e-mail from D&P to</p> <p>3 Travers, Bates-stamped DUFF-MS 00001 to 00002,</p> <p>4 marked for identification.)</p> <p>5 (Discussion off the record.)</p> <p>6 Q. Mr. Pfeiffer, have you seen Exhibit 2</p> <p>7 before?</p> <p>8 A. Yes.</p> <p>9 Q. What is it?</p> <p>10 A. It is an e-mail sent by a member of my</p> <p>11 team at Duff & Phelps to Tim Travers at FGIC</p> <p>12 related to the initial diligence discussion topics</p> <p>13 in advance of the meeting with FGIC and Lazard.</p> <p>14 Q. And when was the meeting with FGIC and</p> <p>15 Lazard?</p> <p>16 A. The beginning of April 2013.</p> <p>17 Q. And is the list of diligence discussion</p> <p>18 topics on the second page of this exhibit?</p> <p>19 A. It is.</p> <p>20 Q. Who prepared them?</p> <p>21 A. Members of my team.</p> <p>22 Q. Did you participate in preparing them?</p> <p>23 A. I had input.</p> <p>24 Q. And you sent this to FGIC prior to the</p> <p>25 meeting in early April with the FGIC</p>

20 (Pages 74 - 77)

<p style="text-align: right;">Page 78</p> <p>1 Pfeiffer - Confidential</p> <p>2 representatives; is that correct?</p> <p>3 A. My understanding is that it was sent to</p> <p>4 FGIC prior to the meeting.</p> <p>5 Q. Was there a rehabilitator</p> <p>6 representative at the meeting as well as FGIC, if</p> <p>7 you know?</p> <p>8 A. I don't know.</p> <p>9 Q. Were you at the meeting?</p> <p>10 A. I was not.</p> <p>11 Q. Who was at the meeting?</p> <p>12 A. Brendan Murphy, Alice Chong, and I'm</p> <p>13 not sure if there was a third member of our team</p> <p>14 there.</p> <p>15 Q. And who was there -- who else was</p> <p>16 there, so far as you understand?</p> <p>17 A. My understanding is that Tim Travers</p> <p>18 was there.</p> <p>19 Q. Who is he?</p> <p>20 A. From FGIC. Members of the Lazard team</p> <p>21 were there, and counsel for the trustees were</p> <p>22 there. Counsel was there, I should say.</p> <p>23 Q. One person?</p> <p>24 A. No, but I used the word "counsel" as a</p> <p>25 singular term.</p>	<p style="text-align: right;">Page 80</p> <p>1 Pfeiffer - Confidential</p> <p>2 that Mr. Pfeiffer relied on this information</p> <p>3 in connection with producing his report, I'll</p> <p>4 allow him to answer it; if he did not, then</p> <p>5 I'm going to instruct him not to answer in</p> <p>6 connection with the confidentiality provisions</p> <p>7 of the mediation order.</p> <p>8 Q. Well, sir, did you rely on any --</p> <p>9 MR. KOH: Just a moment. Mr. Pfeiffer,</p> <p>10 did you understand Mr. Sidman's instructions?</p> <p>11 THE WITNESS: Yes.</p> <p>12 MR. KOH: You may answer. My objection</p> <p>13 on other grounds to the form stand for the</p> <p>14 record, please.</p> <p>15 MR. BAIO: I'm sorry, say that again?</p> <p>16 MR. KOH: I had made an objection to</p> <p>17 form, and I would like that to continue.</p> <p>18 MR. BAIO: Oh, okay.</p> <p>19 Q. Well, you had said earlier that as a</p> <p>20 result of the meeting you got certain</p> <p>21 clarification and a deeper understanding of some</p> <p>22 of the analyses that were undertaken by FGIC in</p> <p>23 connection with the calculations that appear on</p> <p>24 page 5; correct?</p> <p>25 A. I think that our meeting was focused</p>
<p style="text-align: right;">Page 79</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. I see. Sometimes it's a plural term.</p> <p>3 A. That's true.</p> <p>4 I think that more than one person was</p> <p>5 there from counsel.</p> <p>6 Q. And were the diligence discussion</p> <p>7 topics discussed at the meeting that you didn't</p> <p>8 attend, so far as you understand?</p> <p>9 A. Yes.</p> <p>10 Q. And were answers given to the questions</p> <p>11 that were posed?</p> <p>12 A. Yes.</p> <p>13 Q. Were those answers communicated to you?</p> <p>14 A. Yes.</p> <p>15 Q. Let's take the first bullet: high-</p> <p>16 level difference and assumptions between base</p> <p>17 scenario and stress scenarios. Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. And then there are three circles</p> <p>20 beneath that. Were those discussed, that is, the</p> <p>21 bullet and the language that appears next to the</p> <p>22 three circles, at the meeting, so far as you know?</p> <p>23 MR. SIDMAN: Counsel --</p> <p>24 MR. KOH: Objection.</p> <p>25 MR. SIDMAN: Counsel, to the extent</p>	<p style="text-align: right;">Page 81</p> <p>1 Pfeiffer - Confidential</p> <p>2 not on page 5 in particular but on the</p> <p>3 rehabilitation plan.</p> <p>4 Q. And you received information as a</p> <p>5 result of the meeting with the FGIC folks that you</p> <p>6 incorporated in your analysis that appears in the</p> <p>7 report, which is marked as Exhibit 1; correct?</p> <p>8 A. Correct.</p> <p>9 Q. The first bullet: a high-level</p> <p>10 difference in assumption between base scenario and</p> <p>11 stress scenario and then three circles. What did</p> <p>12 your colleagues learn about that, to the extent</p> <p>13 you know?</p> <p>14 MR. SIDMAN: Same instruction.</p> <p>15 MR. BAIO: Not to answer?</p> <p>16 MR. SIDMAN: No, to answer only to the</p> <p>17 extent he used that information in connection</p> <p>18 with the report or relied on that information</p> <p>19 in connection with the report.</p> <p>20 MR. BAIO: Well, we know he relied on</p> <p>21 information that was received to include in</p> <p>22 the report, but fine.</p> <p>23 Q. Did they give you any clarifications on</p> <p>24 the base scenario and stress scenario at that</p> <p>25 meeting?</p>

21 (Pages 78 - 81)

<p style="text-align: right;">Page 82</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. KOH: Objection to form.</p> <p>3 Go ahead.</p> <p>4 A. Yes.</p> <p>5 Q. What did they tell you?</p> <p>6 MR. KOH: Objection to form.</p> <p>7 Go ahead.</p> <p>8 A. They provided a general -- better</p> <p>9 understanding of the macroeconomic factors and how</p> <p>10 those factors are utilized in the base scenario</p> <p>11 versus the stress scenario.</p> <p>12 And, as listed here on the discussion</p> <p>13 topics, they provided responses to our question</p> <p>14 related to Jefferson County case and related to</p> <p>15 the performance of regional economies.</p> <p>16 Q. And what did they say in that regard?</p> <p>17 MR. KOH: Objection.</p> <p>18 Go ahead and answer.</p> <p>19 A. They provided additional context with</p> <p>20 regard to the macroeconomic factors for the base</p> <p>21 and the stress scenario, and they told us that</p> <p>22 there is not a specific assumption incorporated in</p> <p>23 the rehabilitation plan with respect to claims</p> <p>24 resulting from the Jefferson County case.</p> <p>25 Q. What was the Jefferson County case?</p>	<p style="text-align: right;">Page 84</p> <p>1 Pfeiffer - Confidential</p> <p>2 payments resulting from that plan because the</p> <p>3 types of issues described in this discussion topic</p> <p>4 page, including the Jefferson County case and</p> <p>5 regional economies like Detroit, were not included</p> <p>6 explicitly in the plan.</p> <p>7 Q. Were such events included in the stress</p> <p>8 scenario, so far as you understand?</p> <p>9 A. No.</p> <p>10 Q. There's then detail of CPP schedule</p> <p>11 under the base scenario by year. Did your</p> <p>12 colleagues receive what they believed were good-</p> <p>13 faith responses to that inquiry?</p> <p>14 MR. SIDMAN: Same instruction.</p> <p>15 A. No.</p> <p>16 Q. They did not receive good-faith</p> <p>17 responses to that request. Is that your</p> <p>18 testimony?</p> <p>19 A. My testimony is that we were told in</p> <p>20 good faith that they will not provide us the year-</p> <p>21 by-year schedule.</p> <p>22 Q. And did they tell you why they wouldn't</p> <p>23 give you the year-by-year schedule?</p> <p>24 A. I assume it was confidential or work</p> <p>25 product or both.</p>
<p style="text-align: right;">Page 83</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. It's a case that Jefferson County has</p> <p>3 brought against FGIC.</p> <p>4 Q. Did your colleagues tell you, in words</p> <p>5 or substance, that FGIC was forthcoming in</p> <p>6 responding to this question, or these questions?</p> <p>7 MR. SIDMAN: Objection to form.</p> <p>8 A. FGIC was forthcoming in response to</p> <p>9 these questions.</p> <p>10 Q. There's a reference to the performance</p> <p>11 of regional economies, such as Detroit and Puerto</p> <p>12 Rico. Do you see that?</p> <p>13 A. I do.</p> <p>14 Q. And what is your understanding as to</p> <p>15 what the responses were on that?</p> <p>16 MR. SIDMAN: Same instruction.</p> <p>17 A. My understanding is that the response</p> <p>18 was that there was no -- there was no assumption</p> <p>19 of a significant change in the regional economies</p> <p>20 baked into the rehabilitation plan. So the recent</p> <p>21 filing in Detroit, as an example, that meaningful</p> <p>22 downside scenario was not baked into the</p> <p>23 rehabilitation plan.</p> <p>24 And therefore there is additional risk</p> <p>25 associated with the plan and the projected</p>	<p style="text-align: right;">Page 85</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. But did they say that, so far as you</p> <p>3 know from your colleagues who were there?</p> <p>4 A. I don't know.</p> <p>5 Q. Did they provide you other confidential</p> <p>6 information?</p> <p>7 MR. SIDMAN: Objection.</p> <p>8 A. As described today, they provided us</p> <p>9 additional context and enhanced understanding --</p> <p>10 an enhanced understanding of the plan that</p> <p>11 included confidential references.</p> <p>12 Q. The next bullet is magnitude of risks</p> <p>13 associated with the scenarios including, and then</p> <p>14 there are a series of open circles. Do you see</p> <p>15 that?</p> <p>16 A. I do.</p> <p>17 Q. First, did they -- the FGIC</p> <p>18 representatives respond to the inquiries on those</p> <p>19 subjects, so far as you know?</p> <p>20 MR. SIDMAN: Same instruction with</p> <p>21 respect to this entire bullet section.</p> <p>22 A. Yes.</p> <p>23 Q. And did your colleagues conclude, as</p> <p>24 they reported to you, that the responses were in</p> <p>25 good faith?</p>

<p style="text-align: right;">Page 86</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Yes.</p> <p>3 Q. And did the FGIC folks withhold</p> <p>4 anything in response to these questions, so far as</p> <p>5 you know?</p> <p>6 A. No.</p> <p>7 Q. They did not, so far as you know?</p> <p>8 A. They did not withhold responses with</p> <p>9 regard to these questions, as far as I know.</p> <p>10 Q. Do you know what any of the responses</p> <p>11 were in connection with the open circles?</p> <p>12 A. Yes.</p> <p>13 Q. What are they? Go through them in</p> <p>14 order.</p> <p>15 A. They provided some additional context</p> <p>16 with regard to the risk associated with the</p> <p>17 projected investment income, that although the</p> <p>18 plan assumes a 3.25 targeted annual return there</p> <p>19 is risk associated with that number. The number</p> <p>20 may not reach 3.25, and if it does not reach 3.25,</p> <p>21 the cash flow available to make payments to</p> <p>22 investors would be reduced.</p> <p>23 The same is true with --</p> <p>24 Q. I'm sorry, we're going to go through</p> <p>25 each one, but I want to go one at a time.</p>	<p style="text-align: right;">Page 88</p> <p>1 Pfeiffer - Confidential</p> <p>2 assumption. What is that and what did you learn</p> <p>3 from your colleagues about the discussion on that</p> <p>4 subject?</p> <p>5 A. I understood that there was risk</p> <p>6 associated with the collection of payments. These</p> <p>7 are payments -- they are premium payments made --</p> <p>8 expected to be made to FGIC despite the fact that</p> <p>9 FGIC was not performing for these trusts. And</p> <p>10 therefore there was risk that the collection</p> <p>11 amounts would not amount to the premium</p> <p>12 collections that are included in the</p> <p>13 rehabilitation plan.</p> <p>14 Q. And the rehabilitation plan itself</p> <p>15 contemplated a 10 percent reduction assumption in</p> <p>16 connection with the collection of premiums; is</p> <p>17 that correct?</p> <p>18 A. That is correct.</p> <p>19 Q. Did you think that was a reasonable</p> <p>20 assumption?</p> <p>21 A. I thought that there was risk</p> <p>22 associated with that assumption, similar to the</p> <p>23 way that we felt that there was risk associated</p> <p>24 with the projected investment income assumption.</p> <p>25 Q. Did you quantify the risk: more likely</p>
<p style="text-align: right;">Page 87</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Okay. That's the first one.</p> <p>3 Q. Did they quantify the risk in any way</p> <p>4 that the targeted annual returns or potential</p> <p>5 increases would not equal 3.25 percent?</p> <p>6 A. No.</p> <p>7 Q. Did they identify any scenario in which</p> <p>8 the amount could exceed the targeted annual</p> <p>9 returns?</p> <p>10 A. No.</p> <p>11 Q. Did they say that the 3.25 percent was</p> <p>12 reasonable?</p> <p>13 A. I don't recall if they used that term.</p> <p>14 Q. Did you understand that they believed</p> <p>15 that the 3.25 percent figure was reasonable in</p> <p>16 that context?</p> <p>17 MR. KOTWICK: Objection to the form.</p> <p>18 MR. SIDMAN: Objection to the form.</p> <p>19 MR. KOH: Objection.</p> <p>20 A. Yes.</p> <p>21 Q. You understood that, that they thought</p> <p>22 it was a reasonable number; correct?</p> <p>23 A. Yes.</p> <p>24 Q. Let's go to the next one, collection of</p> <p>25 premiums above the 10 percent reduction</p>	<p style="text-align: right;">Page 89</p> <p>1 Pfeiffer - Confidential</p> <p>2 than not, anything along those lines?</p> <p>3 A. No.</p> <p>4 Q. Just that there was risk that in fact</p> <p>5 the collection of premiums could be lower by FGIC;</p> <p>6 is that correct?</p> <p>7 A. Yes.</p> <p>8 Q. And what standard did you use? "Could</p> <p>9 be" meaning a 1 percent chance? a 20 percent</p> <p>10 chance? What standard did you use in evaluating</p> <p>11 that there was a risk that the collection of</p> <p>12 premiums would be less?</p> <p>13 MR. KOH: Objection to form.</p> <p>14 A. We did not use any particular standard,</p> <p>15 just had a conversation about it and discussed it</p> <p>16 internally as well and believed that while the 10</p> <p>17 percent reduction is an assumption that's made in</p> <p>18 the plan it could very well be that the reduction</p> <p>19 in premiums collected could be 20, 30, 40 percent.</p> <p>20 We didn't -- we didn't quantify the reduction</p> <p>21 further than that, and we didn't spend significant</p> <p>22 amount of time analyzing that issue.</p> <p>23 Q. Now, to the extent that the collection</p> <p>24 of premiums went down, that would mean that the</p> <p>25 payment of premiums went down -- correct? -- by</p>

23 (Pages 86 - 89)

<p style="text-align: right;">Page 90</p> <p>1 Pfeiffer - Confidential</p> <p>2 the paying parties?</p> <p>3 A. That would mean that the trusts would</p> <p>4 be paying less.</p> <p>5 Q. And they could be paying as little as</p> <p>6 zero?</p> <p>7 A. That's correct.</p> <p>8 Q. But you believed that FGIC and the</p> <p>9 rehabilitator believed in good faith that the 10</p> <p>10 percent reduction assumption was reasonable; is</p> <p>11 that correct?</p> <p>12 A. I believe that that was their good-</p> <p>13 faith estimate, yes.</p> <p>14 Q. And as a general matter, their</p> <p>15 estimates, you believe, were made in good faith;</p> <p>16 is that correct?</p> <p>17 A. Yes.</p> <p>18 Q. Consistent with whatever the statutory</p> <p>19 requirements were under the relevant statutes; is</p> <p>20 that correct?</p> <p>21 MR. KOH: Objection.</p> <p>22 MR. KOTWICK: Objection to form.</p> <p>23 MR. SIDMAN: Objection.</p> <p>24 A. I believe their estimates were made in</p> <p>25 good faith.</p>	<p style="text-align: right;">Page 92</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. No.</p> <p>3 Q. You just determined that it could be</p> <p>4 higher?</p> <p>5 MR. SIDMAN: Objection to form.</p> <p>6 Q. Those expenses?</p> <p>7 A. We noted that it could be -- there's a</p> <p>8 risk it could be higher.</p> <p>9 Q. Was there a potential benefit that they</p> <p>10 could be lower?</p> <p>11 A. There's always that possibility, but I</p> <p>12 would say in connection with all these subbullets</p> <p>13 they're identified by FGIC as risks. And we also</p> <p>14 thought there was more downside possibilities than</p> <p>15 there was upside.</p> <p>16 Q. Did you base that on your judgment?</p> <p>17 A. Yes.</p> <p>18 Q. Continue.</p> <p>19 A. The limitations or reduction of the NOL</p> <p>20 usage is -- we had a discussion about the fact</p> <p>21 that the plan assumes that they would continue to</p> <p>22 be able to use the NOLs. It's elaborated on in my</p> <p>23 report along with the other risks that are listed</p> <p>24 on this page.</p> <p>25 But we had a discussion about the fact</p>
<p style="text-align: right;">Page 91</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Why don't we go through the rest of</p> <p>3 those open circles. Tell me what you learned from</p> <p>4 your colleagues in connection with the</p> <p>5 conversations with FGIC, starting with increases</p> <p>6 in operating expenses and continuing down.</p> <p>7 MR. SIDMAN: Same ongoing instruction</p> <p>8 in connection with this line of questioning.</p> <p>9 A. With respect to the third subbullet --</p> <p>10 Q. Yes.</p> <p>11 A. -- we had discussion around the fact</p> <p>12 that there was a risk associated with the fact</p> <p>13 that the operating expenses, as projected in the</p> <p>14 plan, could increase. And while they were</p> <p>15 comfortable with the level of operating expenses</p> <p>16 in the plan, there was -- there was a risk that</p> <p>17 they were going to be higher.</p> <p>18 Q. Did they quantify that risk?</p> <p>19 A. Not in the conversations we had with</p> <p>20 them.</p> <p>21 Q. Did you ever learn that they quantified</p> <p>22 that risk?</p> <p>23 A. I do not know.</p> <p>24 Q. Did you and your colleagues quantify</p> <p>25 that risk, percentage of likelihood?</p>	<p style="text-align: right;">Page 93</p> <p>1 Pfeiffer - Confidential</p> <p>2 that if they get a ruling that does not allow them</p> <p>3 to use this NOL that would create additional</p> <p>4 downside risk associated with the cash flows</p> <p>5 projected in the rehabilitation plan.</p> <p>6 Q. Did they put any percentages on that</p> <p>7 risk?</p> <p>8 MR. KOH: Objection.</p> <p>9 Q. Or quantify it in any way?</p> <p>10 MR. KOH: Objection.</p> <p>11 A. There are some quantifications of that</p> <p>12 risk that are referred to in paragraph 49 of my</p> <p>13 expert report. There was no further</p> <p>14 quantification beyond that.</p> <p>15 Q. No percentages of likelihood of</p> <p>16 outcomes; is that correct?</p> <p>17 A. That's correct.</p> <p>18 Q. Going back to Exhibit 2. There are</p> <p>19 three more open circles. Can you go through them</p> <p>20 and tell me the information that you or your</p> <p>21 colleagues learned in connection with the</p> <p>22 communications with FGIC on those subjects at the</p> <p>23 April meeting?</p> <p>24 MR. SIDMAN: Same instruction.</p> <p>25 A. My understanding is that we discussed</p>

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<p style="text-align: right;">Page 94</p> <p>1 Pfeiffer - Confidential</p> <p>2 the reinsurance and the other commutations as</p> <p>3 summarized in paragraph 51 of my expert report.</p> <p>4 Q. Is it your general understanding that</p> <p>5 in connection with other commutations FGIC enters</p> <p>6 into agreements for commutation when it believes</p> <p>7 that the amount paid is more than offset by the</p> <p>8 amount that it does not have to pay in the future?</p> <p>9 MR. KOH: Objection.</p> <p>10 MR. SIDMAN: Objection to form.</p> <p>11 Q. I'll try it again.</p> <p>12 Looking at your paragraph 51, you are</p> <p>13 identifying six -- you identify at the end of it</p> <p>14 six then-pending CDS commutation agreements that</p> <p>15 were executed. Do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. As a result of those commutations,</p> <p>18 which were approved -- were they approved, first</p> <p>19 of all?</p> <p>20 A. Yes.</p> <p>21 Q. And is it your evaluation that as a</p> <p>22 result of those commutations FGIC's ability to pay</p> <p>23 an initial CPP increased, decreased, or remained</p> <p>24 the same?</p> <p>25 A. My understanding is that the plan --</p>	<p style="text-align: right;">Page 96</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Add?</p> <p>3 A. -- to add.</p> <p>4 Q. So there was nothing else said about</p> <p>5 loss adjustment expense estimates in the meeting</p> <p>6 that you incorporated in your evaluation?</p> <p>7 MR. SIDMAN: Objection to form.</p> <p>8 A. Not that I recall.</p> <p>9 Q. So the discussions regarding the</p> <p>10 illustrative discount rate of 10 to 20 percent,</p> <p>11 what did you discuss and what did you learn as a</p> <p>12 result of those discussions?</p> <p>13 MR. SIDMAN: Same instruction with</p> <p>14 respect to these questions and this bullet.</p> <p>15 Do you understand my instruction?</p> <p>16 THE WITNESS: If you would like to</p> <p>17 repeat it, you can.</p> <p>18 MR. SIDMAN: That's fine. I only ask</p> <p>19 that you provide information that you relied</p> <p>20 on in connection with preparing your analysis</p> <p>21 that is reflected in the Exhibit 1, the expert</p> <p>22 report of Allen Pfeiffer.</p> <p>23 Q. With that whatever it is, can you</p> <p>24 answer the question?</p> <p>25 A. I can.</p>
<p style="text-align: right;">Page 95</p> <p>1 Pfeiffer - Confidential</p> <p>2 the rehabilitation plan assumed that the</p> <p>3 commutations were to be approved, and therefore</p> <p>4 the approval itself did not impact the forecasts</p> <p>5 provided in the rehabilitation plan.</p> <p>6 Q. It did not have any negative impact;</p> <p>7 correct?</p> <p>8 A. The approval did not have any negative</p> <p>9 impact, no.</p> <p>10 Q. Let's continue back with the open</p> <p>11 circles. Let me know what else you or your</p> <p>12 colleagues learned in the conversations with FGIC</p> <p>13 in April of 2013 on the subjects identified that</p> <p>14 you used in your analysis.</p> <p>15 A. That's -- I think I fairly summarized</p> <p>16 what we learned on the first three bullet points.</p> <p>17 Q. And I'm talking about the last three;</p> <p>18 right? Is that what we're up to?</p> <p>19 A. I think we're up to discount rate, but</p> <p>20 if you want to --</p> <p>21 Q. You identified all of these? Were</p> <p>22 anything else that you learned on reinsurance</p> <p>23 payments received, commutation payment amounts,</p> <p>24 and loss adjustment expense estimate?</p> <p>25 A. I have nothing else to --</p>	<p style="text-align: right;">Page 97</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Okay. What's the answer?</p> <p>3 A. We had discussion around why FGIC and</p> <p>4 Lazard in particular believed the discount rate of</p> <p>5 10 to 20 percent was a reasonable discount rate.</p> <p>6 Q. And what did you learn in that regard?</p> <p>7 A. We learned that they had a high degree</p> <p>8 of comfort with regard to its reasonableness.</p> <p>9 Q. And what did they say in that regard</p> <p>10 that led you to the conclusion that they had a</p> <p>11 high degree of confidence in that range?</p> <p>12 MR. KOTWICK: Objection to form.</p> <p>13 A. They said that an investor would</p> <p>14 require a rate of return well in excess of 10</p> <p>15 percent for the types of cash flows that are</p> <p>16 projected in the rehabilitation plan, given the</p> <p>17 level of uncertainty associated with those cash</p> <p>18 flows.</p> <p>19 Q. Did they say anything else?</p> <p>20 A. There was certainly discussion around</p> <p>21 the subject, but I think that what I've just</p> <p>22 stated fairly summarizes their viewpoint with</p> <p>23 regard to discount rate and how it's reflective of</p> <p>24 the level of risk associated with the cash flows</p> <p>25 and the, therefore, expected return that an</p>

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<p style="text-align: right;">Page 98</p> <p>1 Pfeiffer - Confidential</p> <p>2 investor would require in receipt for those</p> <p>3 expected cash flows.</p> <p>4 Q. What about the next bullet: updates,</p> <p>5 if any, on the following unknown amounts. The</p> <p>6 first open circle is potential proceeds and timing</p> <p>7 related to material litigation, excluding ResCap-</p> <p>8 related.</p> <p>9 First, why was ResCap-related excluded?</p> <p>10 MR. SIDMAN: Same instruction with</p> <p>11 respect to this bullet point and all the</p> <p>12 bullet points underlying this bullet point.</p> <p>13 MR. KOH: And I object to the form of</p> <p>14 the question.</p> <p>15 MR. SIDMAN: Object to the form.</p> <p>16 A. The ResCap-related litigation was</p> <p>17 excluded I believe because we don't need to -- we</p> <p>18 didn't think it was appropriate for them to be</p> <p>19 providing additional context in this meeting on</p> <p>20 the ResCap-related litigation.</p> <p>21 Q. Why is that?</p> <p>22 A. I'm not sure.</p> <p>23 Q. Did you make the decision to exclude</p> <p>24 the ResCap-related material litigation from this</p> <p>25 inquiry?</p>	<p style="text-align: right;">Page 100</p> <p>1 Pfeiffer - Confidential</p> <p>2 the decision to exclude the ResCap-related</p> <p>3 material litigation from this inquiry?)</p> <p>4 MR. KOH: Why don't you answer that</p> <p>5 question "yes" or "no."</p> <p>6 A. I don't believe I did, no.</p> <p>7 Q. What was said at the meeting about</p> <p>8 potential proceeds and timing related to material</p> <p>9 litigation, excluding the ResCap-related matter?</p> <p>10 MR. SIDMAN: Counsel, this is also --</p> <p>11 in addition to the mediation order, there are</p> <p>12 also confidentiality issues relating to offers</p> <p>13 and offers of settlement in connection with</p> <p>14 potential resolution of ongoing litigation.</p> <p>15 And I just don't -- sitting here right now in</p> <p>16 response to your question, I don't know what</p> <p>17 was said with respect to that.</p> <p>18 But I also know that -- I believe that</p> <p>19 there was a confidentiality agreement entered</p> <p>20 into in connection with this meeting that</p> <p>21 we're talking about. I don't want the witness</p> <p>22 to reveal anything that is confidential with</p> <p>23 respect to those particular discussions.</p> <p>24 And so we can either take a break now</p> <p>25 and I can talk to him about it outside or you</p>
<p style="text-align: right;">Page 99</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. KOTWICK: I'm going to object to</p> <p>3 the form and instruct the witness in his</p> <p>4 answer to exclude any communications, if any,</p> <p>5 he might have had with his counsel or the</p> <p>6 trustees' counsel concerning that matter.</p> <p>7 MR. BAIO: On what basis do you</p> <p>8 instruct him?</p> <p>9 MR. KOTWICK: Certainly, with respect</p> <p>10 to his counsel, the attorney-client privilege,</p> <p>11 and, to the extent that he had communications</p> <p>12 with the trustees' counsel, work product. You</p> <p>13 can ask him if he had any communication. I</p> <p>14 don't know that he did. But I would ask him</p> <p>15 to exclude, to the extent he did have those</p> <p>16 communications.</p> <p>17 MR. BAIO: Well, I'm just asking</p> <p>18 whether he made the decision. We know it's</p> <p>19 excluded. I don't really see where that's</p> <p>20 implicating the attorney-client privilege of</p> <p>21 anyone.</p> <p>22 MR. KOH: May I have the question</p> <p>23 again, please.</p> <p>24 MR. BAIO: Okay.</p> <p>25 (Record read as follows: Did you make</p>	<p style="text-align: right;">Page 101</p> <p>1 Pfeiffer - Confidential</p> <p>2 can move on and we can do it at the next</p> <p>3 available break and have a response for you</p> <p>4 then.</p> <p>5 MR. BAIO: I don't want to belabor the</p> <p>6 record. This is about discussion topics</p> <p>7 relating to valuation issues. And, you know,</p> <p>8 we have a confidentiality agreement in this</p> <p>9 case, and it's an order.</p> <p>10 If they said something about potential</p> <p>11 proceeds affecting recoveries or not affecting</p> <p>12 recoveries, I think it's critical and that you</p> <p>13 can't have it both ways.</p> <p>14 But all of that having been said, let</p> <p>15 me just pose the question. You do your -- you</p> <p>16 instruct however you want -- okay? -- and then</p> <p>17 we'll take a break later and come back to it.</p> <p>18 Q. Independent from what you were told,</p> <p>19 were you told anything about the discussion of</p> <p>20 potential proceeds and timing related to material</p> <p>21 litigation that came up during the meeting with</p> <p>22 FGIC in April of 2013?</p> <p>23 A. Yes.</p> <p>24 Q. And what were you told?</p> <p>25 MR. SIDMAN: In light of my previous</p>

<p style="text-align: right;">Page 102</p> <p>1 Pfeiffer - Confidential</p> <p>2 statement, I instruct him not to answer that</p> <p>3 question. We're happy to revisit it on a</p> <p>4 break.</p> <p>5 Q. And the same question with respect to</p> <p>6 the potential proceeds and timing from FGIC U.K.</p> <p>7 separation. First, were you informed of whatever</p> <p>8 was discussed on that subject in the April 13,</p> <p>9 2013, meeting?</p> <p>10 A. I don't recall conversation about that</p> <p>11 topic.</p> <p>12 Q. Let's go back to page 5 of Attachment 3</p> <p>13 to Exhibit 1, the May 15th presentation, about</p> <p>14 which you've been providing some testimony.</p> <p>15 You'll see that another assumption, on the</p> <p>16 left-hand side with the letter J, is, quote,</p> <p>17 haircut of 40 percent on unpaid payout claim</p> <p>18 estimates.</p> <p>19 Do you see that?</p> <p>20 A. Yes.</p> <p>21 Q. Who selected the word "haircut"?</p> <p>22 MR. SIDMAN: Objection.</p> <p>23 A. I don't know.</p> <p>24 Q. Is it your understanding that FGIC</p> <p>25 called it a haircut?</p>	<p style="text-align: right;">Page 104</p> <p>1 Pfeiffer - Confidential</p> <p>2 40 percent on unpaid payout claim estimates?</p> <p>3 A. So consistent with what I have listed</p> <p>4 in my expert report -- I believe it's in Footnote</p> <p>5 23 on page 16 -- that our general understanding as</p> <p>6 a result of that conversation with FGIC is that</p> <p>7 the 40 percent reduction reflects a discount for</p> <p>8 receiving the commutation payment upon execution</p> <p>9 of a settlement agreement in consideration of a</p> <p>10 timing of claims and payments specifically related</p> <p>11 to FGIC-insured trust policy claims under the</p> <p>12 rehab plan.</p> <p>13 Q. And what is your understanding as to</p> <p>14 what that means?</p> <p>15 A. My understanding is that these</p> <p>16 FGIC-insured trust policy claims were claims that</p> <p>17 were front loaded, meaning they were closer to the</p> <p>18 initial date than the average claims in the</p> <p>19 rehabilitation plan. They were more in the next</p> <p>20 few years than they were in the outer years of the</p> <p>21 plan.</p> <p>22 So because those claims were front-</p> <p>23 loaded and the recoveries or payments under the</p> <p>24 rehab plan were extended well beyond that into the</p> <p>25 outer years, there is an additional discount</p>
<p style="text-align: right;">Page 103</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. SIDMAN: Objection.</p> <p>3 A. I don't know.</p> <p>4 Q. And finally, did Duff & Phelps select</p> <p>5 the word "haircut" to articulate this assumption?</p> <p>6 MR. SIDMAN: Objection.</p> <p>7 A. I don't know how the term "haircut"</p> <p>8 came about.</p> <p>9 Q. And what is your understanding as to</p> <p>10 what the haircut is?</p> <p>11 A. Well, the 40 percent, from a -- from a</p> <p>12 mathematical and technical perspective, the</p> <p>13 haircut of 40 percent -- 40 percent is the inverse</p> <p>14 of the 60 percent. 1 minus 60 percent is 40</p> <p>15 percent. So the factor provided in the schedule</p> <p>16 of 60 percent is -- the 60 percent times the 225</p> <p>17 equals the 135.5, and therefore the factor allows</p> <p>18 for a reduction of 40 percent.</p> <p>19 That's what's meant by the haircut.</p> <p>20 Q. And did FGIC identify for you the basis</p> <p>21 for the haircut assumption?</p> <p>22 MR. SIDMAN: Objection to the form.</p> <p>23 A. Yes.</p> <p>24 Q. What did they say as to why they were</p> <p>25 applying -- or employing a haircut assumption of</p>	<p style="text-align: right;">Page 105</p> <p>1 Pfeiffer - Confidential</p> <p>2 applied in consideration of the timing of those</p> <p>3 claims relative to the timing of the payments.</p> <p>4 Q. Did they tell you or provide you</p> <p>5 information as to how they calculated the 40</p> <p>6 percent other than what you just testified to?</p> <p>7 A. Not that I recall.</p> <p>8 Q. Did you ask them: Can you show us your</p> <p>9 calculation as to the timing of payments that</p> <p>10 would justify this 40 percent figure?</p> <p>11 A. I don't know if we asked them for that.</p> <p>12 Q. They didn't give it to you; is that</p> <p>13 correct?</p> <p>14 MR. SIDMAN: Objection.</p> <p>15 A. We did not receive any quantification</p> <p>16 related to the 40 percent or the 60 percent</p> <p>17 factor.</p> <p>18 Q. Did you see the 40 percent or 60</p> <p>19 percent factor anywhere in the rehabilitation</p> <p>20 plan?</p> <p>21 A. No.</p> <p>22 Q. Did you do any analysis to determine</p> <p>23 whether this discount -- this haircut assumption</p> <p>24 of a 40 percent reduction to reflect a discount</p> <p>25 was reasonable?</p>

<p style="text-align: right;">Page 106</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. In considering the reasonableness of</p> <p>3 the commutation proposal compared to the projected</p> <p>4 payments, we certainly considered the present</p> <p>5 value of those payments, and incorporated in that</p> <p>6 analysis and in our reasonableness test, we</p> <p>7 therefore assessed the reasonableness of the</p> <p>8 discounted amounts as provided by FGIC as well.</p> <p>9 Q. Well, in Footnote 23 your first</p> <p>10 sentence says, "I have not reviewed the analysis</p> <p>11 behind the 40 percent reduction in the payments</p> <p>12 related to the, i, spread between the base case</p> <p>13 payout and initial CPP multiplied by the accrued</p> <p>14 and unpaid claims; and, ii, the base case payout</p> <p>15 multiplied by the projected claims."</p> <p>16 Do you see that?</p> <p>17 A. I do.</p> <p>18 Q. And that's accurate; correct?</p> <p>19 A. Yes.</p> <p>20 Q. And in the concluding sentence you</p> <p>21 state, "The analysis performed by D&P does not</p> <p>22 employ this assumed reduction as D&P incorporates</p> <p>23 the timing of claims and payments related to</p> <p>24 policy claims of the FGIC-insured trusts." See</p> <p>25 Attachment 3.</p>	<p style="text-align: right;">Page 108</p> <p>1 Pfeiffer - Confidential</p> <p>2 a -- as part of the settlement offer in March of</p> <p>3 2013.</p> <p>4 Q. Was this the first settlement offer</p> <p>5 that you saw?</p> <p>6 MR. KOH: Objection.</p> <p>7 A. I believe so.</p> <p>8 Q. And is it your understanding that it's</p> <p>9 the first settlement offer that was made to the</p> <p>10 trees?</p> <p>11 MR. SIDMAN: Objection.</p> <p>12 MR. KOTWICK: Objection to form.</p> <p>13 MR. SIDMAN: I'm going to instruct him</p> <p>14 not to answer that question on the grounds</p> <p>15 that it's -- it involves and is covered by the</p> <p>16 confidentiality provisions of the mediation</p> <p>17 order.</p> <p>18 MR. KOH: I will give the same</p> <p>19 instruction.</p> <p>20 Q. This appears to be dated at the bottom</p> <p>21 3/26/13, 7:27 p.m. Do you see that?</p> <p>22 A. I do.</p> <p>23 Q. Had you received any proposal or</p> <p>24 summary of proposal prior to that date?</p> <p>25 A. I don't think we did, no.</p>
<p style="text-align: right;">Page 107</p> <p>1 Pfeiffer - Confidential</p> <p>2 That was also correct and accurate at</p> <p>3 the time you wrote this report; correct?</p> <p>4 A. Yes.</p> <p>5 Q. And it still is accurate?</p> <p>6 A. Yes, it is.</p> <p>7 Q. In Footnote 24 -- never mind. I'll get</p> <p>8 to that later.</p> <p>9 MR. BAIO: I'm going to ask the</p> <p>10 reporter to mark as Pfeiffer Exhibit 3 the</p> <p>11 one-page chart that was handed to us today.</p> <p>12 MR. SIDMAN: For the record, that</p> <p>13 document, as I stated earlier, is marked</p> <p>14 highly confidential --</p> <p>15 MR. BAIO: Yes.</p> <p>16 MR. SIDMAN: -- and subject to all the</p> <p>17 discussions we've had on the record previously</p> <p>18 and all reservation of rights from both sides.</p> <p>19 MR. BAIO: Thank you. Good. I'm</p> <p>20 writing "highly confidential" on it.</p> <p>21 MR. SIDMAN: There it is.</p> <p>22 (Pfeiffer Exhibit 3, chart, marked for</p> <p>23 identification.)</p> <p>24 Q. What is Exhibit 3?</p> <p>25 A. Exhibit 3 is what was sent to us as</p>	<p style="text-align: right;">Page 109</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Was there anything else attached to</p> <p>3 this one-page sheet when you received the proposal</p> <p>4 embodied in this one-page sheet?</p> <p>5 A. No.</p> <p>6 Q. And can you walk us through this as to</p> <p>7 what you understand this document to show?</p> <p>8 A. I think this document shows the precise</p> <p>9 numbers that are listed on page 5 of the</p> <p>10 presentation that is included as Attachment 3 to</p> <p>11 my report.</p> <p>12 Q. There is at the bottom something called</p> <p>13 net cost to FGIC. Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. What is your understanding as to what</p> <p>16 that reflects?</p> <p>17 MR. SIDMAN: Same instruction with</p> <p>18 respect to this line.</p> <p>19 MR. BAIO: You mean --</p> <p>20 MR. SIDMAN: He didn't rely on it in</p> <p>21 connection with the report.</p> <p>22 Q. First, do you have an understanding as</p> <p>23 to what it reflects?</p> <p>24 A. As I sit here today, I do not know.</p> <p>25 Q. What about the percentage of allowed</p>

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<p style="text-align: right;">Page 110</p> <p>1 Pfeiffer - Confidential</p> <p>2 claim realized, the 36 percent, and the maximum</p> <p>3 dollars realized by FGIC, what is your -- do you</p> <p>4 have an understanding as to what that reflects?</p> <p>5 A. Yes.</p> <p>6 Q. And what is that understanding?</p> <p>7 MR. SIDMAN: Same instruction to the</p> <p>8 witness.</p> <p>9 A. My understanding now -- by the way,</p> <p>10 after you asked the question, I now understand the</p> <p>11 last line too.</p> <p>12 Q. Okay.</p> <p>13 A. -- the 36 percent times the amount of</p> <p>14 the claim equals the dollars realized by FGIC. So</p> <p>15 597.3 times 36 percent -- I don't have my</p> <p>16 calculator on me, but it seems to be accurate that</p> <p>17 it's 215 million. And then the 56.6 is the 271.6,</p> <p>18 which is the value to the trusts, minus the 215,</p> <p>19 which is the net cost to FGIC.</p> <p>20 Q. You'll notice at the top there is --</p> <p>21 there are three headings: All trusts, non-RMBS</p> <p>22 investor trusts, and RMBS investor trusts. Do you</p> <p>23 see that?</p> <p>24 A. I do.</p> <p>25 Q. And what does each refer to?</p>	<p style="text-align: right;">Page 112</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. BAIO: All right. Let's take a</p> <p>3 short break. You can inquire on the other</p> <p>4 subject, and we'll continue shortly.</p> <p>5 (Recess taken from 11:16 to 11:34.)</p> <p>6 MR. SIDMAN: Counsel, in the last line</p> <p>7 of questioning, you had asked Mr. Pfeiffer</p> <p>8 about some information he had received in</p> <p>9 connection with a meeting he had with various</p> <p>10 individuals that related to potential proceeds</p> <p>11 and timing related to material litigation,</p> <p>12 excluding ResCap-related litigation.</p> <p>13 I had instructed the witness not to</p> <p>14 answer because I was unclear as to whether or</p> <p>15 not the information was subject to other</p> <p>16 confidentiality agreements not at issue in</p> <p>17 this case.</p> <p>18 I have had a chance to confer with my</p> <p>19 colleagues, and I will remove that instruction</p> <p>20 and allow the witness to answer the questions,</p> <p>21 if any, you want to raise.</p> <p>22 MR. BAIO: Okay.</p> <p>23 Q. Mr. Pfeiffer, can you look at -- once</p> <p>24 again at Exhibit 2.</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 111</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. KOH: Objection.</p> <p>3 You may answer.</p> <p>4 A. I know what the words mean, but I was</p> <p>5 not focused on those two columns, and I am not --</p> <p>6 I have nothing to offer about those.</p> <p>7 Q. Do you have an understanding as to what</p> <p>8 the non-RMBS investors trusts refers to in this</p> <p>9 context of this document?</p> <p>10 MR. KOH: Objection.</p> <p>11 MR. SIDMAN: Objection, asked and</p> <p>12 answered.</p> <p>13 A. No.</p> <p>14 Q. Do you have an understanding as to what</p> <p>15 RMBS investors trusts refers to in the context of</p> <p>16 this document?</p> <p>17 MR. SIDMAN: Objection.</p> <p>18 MR. KOH: Objection.</p> <p>19 MR. SIDMAN: Asked and answered.</p> <p>20 A. As I stated, I know what the words</p> <p>21 mean. I know all trusts and then there are</p> <p>22 certain trusts that are RMBS trusts and certain</p> <p>23 that are -- a very small portion that are non-RMBS</p> <p>24 investor trusts. But other than that I can't</p> <p>25 provide any additional context.</p>	<p style="text-align: right;">Page 113</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. There's a reference in the final bullet</p> <p>3 of the second page of that document to updates, if</p> <p>4 any, on the following unknown amounts, including</p> <p>5 potential proceeds and timing related to material</p> <p>6 litigation excluding ResCap-related.</p> <p>7 Do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. And what did you learn about the</p> <p>10 discussions with FGIC in connection with that</p> <p>11 matter?</p> <p>12 A. We learned that FGIC and Lazard --</p> <p>13 consistent with what is referenced in the Lazard</p> <p>14 affidavit, FGIC and Lazard felt that it would not</p> <p>15 be possible to accurately assess and estimate the</p> <p>16 potential proceeds and timing related to material</p> <p>17 litigation.</p> <p>18 And those amounts, if any, were</p> <p>19 therefore not included in the rehabilitation plan</p> <p>20 in the same way that the estimated permitted</p> <p>21 claims for Jefferson County and regional economies</p> <p>22 and other downside risks were also not included in</p> <p>23 the rehabilitation plan because they too were very</p> <p>24 difficult to estimate in terms of the proceeds and</p> <p>25 the timing.</p>

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2 Q. What were the material litigations that

3 were being discussed -- or that were discussed at

4 that April 2013 meeting?

5 A. We did not discuss in particular any of

6 the actual litigations themselves, but it's my

7 understanding that by and large Countrywide was

8 the -- was the material litigation that is

9 referred to in this bullet point.

10 Q. What is your understanding as to what

11 the Countrywide litigation is about and what the

12 amount of the claim is, if you have an

13 understanding?

14 MR. SIDMAN: Objection to the form.

15 A. My understanding is that FGIC alleges

16 certain issues with respect to the underwriting at

17 Countrywide and the litigation surrounds the

18 damage associated with that alleged inappropriate

19 underwriting standards.

20 Q. You understand what the amount of the

21 claim is that's been advanced or alleged?

22 A. You know, in all these litigations,

23 there's an alleged amount, which often has very

24 little association with the actual value of a

25 litigation. My understanding is that it's alleged

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2 to be a billion dollars, but I'm not -- I'm not

3 exactly sure at this moment.

4 Q. And did you attempt to put any

5 percentage recovery on that and incorporate it in

6 your analysis?

7 A. We did not.

8 Q. So you counted it at zero?

9 MR. KOH: Objection.

10 MR. SIDMAN: Objection.

11 A. We considered it to be a potential

12 upside that's not estimable and probable in the

13 same way that Lazard considered it to be a

14 potential upside, if not estimable and probable,

15 and put it in the category of unknowns, similar

16 to, as I related to earlier, the various downsides

17 that are -- that also were not included as actual

18 claims that would impact the cash flows.

19 Q. And why would any recoveries be a

20 potential upside to the investors?

21 A. To the extent that there is a recovery,

22 the -- there's more cash available to be

23 distributed as projected payments to the

24 policyholders.

25 Q. And the more the policyholders would

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2 receive; correct?

3 MR. SIDMAN: Objection.

4 A. Potentially.

5 Q. Assuming that there are recoveries,

6 those recoveries would pass through to the

7 investors; is that correct?

8 MR. SIDMAN: Objection.

9 A. There is a -- there is a significant

10 amount of mechanics that have to be satisfied

11 before it is paid off to -- before it is paid out

12 to investors, including reserves that would impact

13 the timing of such distributions.

14 And obviously the -- there may be --

15 there might be other offsetting expenses that

16 could diminish the impact of any such ultimate

17 recovery as a result of any potential litigation.

18 But if there were no other offsetting expenses and

19 all you have is additional proceeds, then

20 eventually, subject to the limitations of the plan

21 in terms of how the CPP works and the reserves and

22 so on, ultimately an amount would be paid out to

23 the trusts in the form of a recovery.

24 Q. And that's true so long as the

25 recoveries under the material litigation exceed

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2 the costs; isn't that correct? There would be

3 some distribution to or payment to the

4 policyholders?

5 MR. SIDMAN: Objection.

6 MR. KOTWICK: Objection to the form.

7 A. If the amount recovered exceeds the

8 costs, there would, at some point in time, all

9 things remaining equal, be distribution to the

10 policyholders.

11 Q. Are you aware of any settlements of

12 claims by FGIC against other parties that have

13 generated or will generate money for FGIC?

14 MR. KOH: Objection.

15 MR. KOTWICK: Objection to form.

16 MR. SIDMAN: Objection to form.

17 A. I'm aware of the ResCap -- the ResCap

18 settlement.

19 Q. What is the amount that would be

20 generated if the ResCap settlement goes forward?

21 MR. SIDMAN: Objection to form.

22 A. If the plan is confirmed, the

23 settlement provides for approximately \$200

24 million.

25 Q. And if the plan is not confirmed, is it

<p style="text-align: right;">Page 118</p> <p>1 Pfeiffer - Confidential</p> <p>2 your understanding the settlement goes away?</p> <p>3 A. My understanding is that \$200 million</p> <p>4 goes away, yes.</p> <p>5 Q. Are you aware of any other settlements</p> <p>6 that FGIC has entered into that have yielded</p> <p>7 recoveries, of material litigation?</p> <p>8 MR. KOTWICK: Objection to the form.</p> <p>9 MR. SIDMAN: Objection to the form.</p> <p>10 A. Not at this time, no.</p> <p>11 Q. Can we go back to page 5 of your May</p> <p>12 15th presentation. If you look at the left-hand</p> <p>13 side at the bottom bullet, it states, "In</p> <p>14 consideration for the cash commutation payment of</p> <p>15 approximately \$253 million, FGIC in return would</p> <p>16 receive a claim in the ResCap case for the sum of,</p> <p>17 i, payouts made to date related to the RFC-and</p> <p>18 GMACM-sponsored trust; and, ii, the cash</p> <p>19 commutation."</p> <p>20 Do you see that?</p> <p>21 A. I do.</p> <p>22 Q. Where did you get that information</p> <p>23 from?</p> <p>24 A. It's -- it's right here on the page.</p> <p>25 It's -- as we discussed earlier, it's also</p>	<p style="text-align: right;">Page 120</p> <p>1 Pfeiffer - Confidential</p> <p>2 that you referred to in your testimony that may</p> <p>3 not have been included in the initial proposal as</p> <p>4 reflected in the March 26th, 2013, document,</p> <p>5 Exhibit 3?</p> <p>6 A. To the extent that there are recoveries</p> <p>7 that are -- that FGIC recovers -- makes recoveries</p> <p>8 that are particular -- if there are recoveries</p> <p>9 that are particular to these trusts, those amounts</p> <p>10 would go directly to the investors in the trusts</p> <p>11 and not kept by FGIC.</p> <p>12 Q. What recoveries are you referring to?</p> <p>13 A. The recoveries have not yet occurred.</p> <p>14 But if such recoveries were to occur.</p> <p>15 Q. But recoveries for what? For the</p> <p>16 material litigations?</p> <p>17 A. No.</p> <p>18 Q. What recoveries are you referring to,</p> <p>19 then?</p> <p>20 A. I'm referring to recoveries that are</p> <p>21 specific to the -- to these trusts.</p> <p>22 Q. Do you discuss those recoveries in your</p> <p>23 report?</p> <p>24 A. I believe we did in Section X.</p> <p>25 Q. Paragraph 10?</p>
<p style="text-align: right;">Page 119</p> <p>1 Pfeiffer - Confidential</p> <p>2 referenced in Exhibit 3 that was sent to us in</p> <p>3 March.</p> <p>4 Q. So that was unchanged between March and</p> <p>5 May 15th; correct?</p> <p>6 A. I believe it has remained unchanged.</p> <p>7 Q. Were any of the terms unchanged between</p> <p>8 March and May 15th?</p> <p>9 MR. KOTWICK: Objection to form.</p> <p>10 MR. SIDMAN: Objection.</p> <p>11 A. As I mentioned earlier, to the extent</p> <p>12 that there are additional recoveries, the trusts</p> <p>13 are entitled to those additional recoveries. And</p> <p>14 as I also mentioned earlier, the trusts are</p> <p>15 entitled -- and the investors -- when I say</p> <p>16 "trusts," I mean the trusts and the investors, are</p> <p>17 also entitled to the -- to their pro rata share of</p> <p>18 the reps and warranty claim that would be received</p> <p>19 by the trusts as a result of the plan settlement</p> <p>20 agreement.</p> <p>21 And I don't recall at this time to what</p> <p>22 extent those issues were discussed or made final</p> <p>23 at the time of the initial proposal discussion in</p> <p>24 March and April.</p> <p>25 Q. What were the additional recoveries</p>	<p style="text-align: right;">Page 121</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I'm sorry, Section -- Roman numeral X</p> <p>3 and paragraph -- page 26.</p> <p>4 Q. Are you talking about paragraph 59?</p> <p>5 A. I am.</p> <p>6 Q. And is it your testimony that under the</p> <p>7 settlement and plan support agreement the</p> <p>8 trustees -- I'm sorry, the investors will recover</p> <p>9 an additional estimated \$92 million in value and</p> <p>10 they will not in the absence of the settlement?</p> <p>11 MR. KOTWICK: Objection to form.</p> <p>12 MR. SIDMAN: Objection to form.</p> <p>13 MR. KERR: Objection.</p> <p>14 A. In the absence of the settlement, they</p> <p>15 would be back to square one where they would have</p> <p>16 to -- they would have to be part of the litigation</p> <p>17 and all the proceedings and motions that would</p> <p>18 ensue. And it is unknown to what extent they</p> <p>19 would recover a part, if any, of that \$92 million</p> <p>20 in value.</p> <p>21 Q. You're not suggesting that an</p> <p>22 appropriate valuation in the absence of the plan</p> <p>23 and settlement is zero for that, are you?</p> <p>24 A. I'm suggesting that there is -- there</p> <p>25 would be -- in our estimation there would be a</p>

<p style="text-align: right;">Page 122</p> <p>1 Pfeiffer - Confidential</p> <p>2 likelihood that the \$92 million would be reduced</p> <p>3 by a meaningful amount. I don't -- I didn't say</p> <p>4 it would be zero; I just think that absent the</p> <p>5 plan support agreement that amount would be highly</p> <p>6 questionable and likely reduced in a meaningful</p> <p>7 way.</p> <p>8 Q. And do you have any work papers that</p> <p>9 show the calculation of your likelihood</p> <p>10 estimation?</p> <p>11 MR. KOH: Objection.</p> <p>12 A. We have -- we have spent significant</p> <p>13 time over many months estimating the rep and</p> <p>14 warranty claims, and the rep and warranty claims</p> <p>15 as a whole, and the rep and warranty claims that</p> <p>16 would be applicable to these 47 trusts as we</p> <p>17 estimate an allocation of those amounts.</p> <p>18 So in the context of advising the RMBS</p> <p>19 trustees over time, we certainly would have run</p> <p>20 various scenarios that have different recoveries,</p> <p>21 and those recoveries would flow in an allocation</p> <p>22 to the 47 trusts.</p> <p>23 But we did not separately estimate a</p> <p>24 different number that comes to mind other than the</p> <p>25 92 million, which is a result of the current plan</p>	<p style="text-align: right;">Page 124</p> <p>1 Pfeiffer - Confidential</p> <p>2 has been superseded and updated to now currently</p> <p>3 reflect the amounts that are consistent with the</p> <p>4 current plan support agreement that is subject to</p> <p>5 confirmation.</p> <p>6 Q. Again, I'm going to try it again. Are</p> <p>7 there documents that reflect the calculations that</p> <p>8 you did to reach the conclusion that there would</p> <p>9 be a likelihood that the \$92 million would be</p> <p>10 reduced by a meaningful amount? Can I see some</p> <p>11 pieces of paper that would show that estimation?</p> <p>12 MR. KOH: Objection.</p> <p>13 MR. KOTWICK: Objection to form.</p> <p>14 MR. SIDMAN: Objection.</p> <p>15 A. Not that comes to mind, no.</p> <p>16 Q. What assumptions did you include in</p> <p>17 reaching that estimation that there was a</p> <p>18 likelihood that the \$92 million would be reduced</p> <p>19 by a meaningful amount?</p> <p>20 (Mr. Gibson leaves proceedings.)</p> <p>21 A. As I -- as I said, we spent significant</p> <p>22 amount of time advising the RMBS trustees, and in</p> <p>23 our final estimation, in sitting through mediation</p> <p>24 and in providing significant analysis leading up</p> <p>25 to the mediation, it was our view that if the</p>
<p style="text-align: right;">Page 123</p> <p>1 Pfeiffer - Confidential</p> <p>2 support agreement.</p> <p>3 Q. Let me break that into pieces, because</p> <p>4 I have very specific questions as to it.</p> <p>5 First, are there any documents that</p> <p>6 reflect your calculation and estimation that there</p> <p>7 would be a likelihood that the \$92 million would</p> <p>8 be reduced by a meaningful amount in the absence</p> <p>9 of the settlement and the plan support agreement</p> <p>10 approval?</p> <p>11 MR. KOTWICK: Objection.</p> <p>12 Q. Any documents?</p> <p>13 MR. KOTWICK: Objection to the form.</p> <p>14 A. There -- I don't have a particular</p> <p>15 document in mind, but over many months we have</p> <p>16 documented and analyzed recoveries that are</p> <p>17 different from the ultimate recovery that was</p> <p>18 received in the plan support agreement.</p> <p>19 Q. And are there documents that reflect</p> <p>20 what you just described? You said you did work</p> <p>21 for many months. Are there documents that reflect</p> <p>22 that work?</p> <p>23 A. We continuously modeled different</p> <p>24 assumptions on recovery and allocation, and my</p> <p>25 understanding is that all that work on analysis</p>	<p style="text-align: right;">Page 125</p> <p>1 Pfeiffer - Confidential</p> <p>2 medication was not successful and therefore the</p> <p>3 recovery that came out of the mediation for the</p> <p>4 trustees, which includes the 47 insured trusts, if</p> <p>5 that mediation was not successful, the mediation</p> <p>6 and the plan support agreement resulting in</p> <p>7 approximately \$92 million of value to the FGIC-</p> <p>8 insured trusts, if that was not successful, we</p> <p>9 believed and we advised the RMBS trustees and</p> <p>10 their counsel that we believed the alternative</p> <p>11 would be a significantly reduced outcome.</p> <p>12 Q. I've heard the conclusion three or four</p> <p>13 times now. We want to test your conclusions so</p> <p>14 there's no confusion. We need data to evaluate</p> <p>15 whether you just made it up or whether you have a</p> <p>16 basis.</p> <p>17 I'm asking you whether there are</p> <p>18 documents that I can look at and use to evaluate</p> <p>19 whether your conclusion that there is a likelihood</p> <p>20 that the \$92 million would be reduced by a</p> <p>21 meaningful amount, are there documents that I can</p> <p>22 use to test that conclusion.</p> <p>23 MR. KOTWICK: Objection.</p> <p>24 MR. WEITNAUER: Objection, asked and</p> <p>25 answered.</p>

<p style="text-align: right;">Page 126</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. SIDMAN: Objection.</p> <p>3 Q. Go ahead.</p> <p>4 A. I think I answered that question</p> <p>5 already. You asked almost the same exact</p> <p>6 question. I said I do not have a document in mind</p> <p>7 that I can produce to you that substantiates a</p> <p>8 different number or a likelihood of a different</p> <p>9 number.</p> <p>10 Q. Okay, next. What assumptions did you</p> <p>11 include to reach the conclusion that there was a</p> <p>12 likelihood that the \$292 million identified in</p> <p>13 your report would be reduced by a meaningful</p> <p>14 amount in the absence of approval of the plan</p> <p>15 support agreement and the settlement agreement?</p> <p>16 What assumptions did you include?</p> <p>17 A. Well, the -- some of the major</p> <p>18 assumptions included the fact that Allied was</p> <p>19 contributing \$2.1 billion as part of the mediation</p> <p>20 and the fact that the mediation -- successful</p> <p>21 conclusion of the mediation allowed for a</p> <p>22 significant reduction in litigation costs that</p> <p>23 would result if the mediation was not successful</p> <p>24 and the plan support agreement was not successful.</p> <p>25 Q. What other assumptions did you include</p>	<p style="text-align: right;">Page 128</p> <p>1 Pfeiffer - Confidential</p> <p>2 issue.</p> <p>3 Q. My question is a different one, I</p> <p>4 believe, and that is under the settlement</p> <p>5 agreement is it correct that the investors will</p> <p>6 receive \$253 million payment.</p> <p>7 A. Yes.</p> <p>8 Q. And is it your testimony that in</p> <p>9 addition to that they will receive \$92 million</p> <p>10 above and beyond that, under the terms of the</p> <p>11 settlement agreement?</p> <p>12 MR. KOTWICK: Objection to form.</p> <p>13 MR. SIDMAN: Objection Kerr objection.</p> <p>14 A. My testimony is that under the terms of</p> <p>15 a settlement agreement, if the plan is otherwise</p> <p>16 confirmed, that they would receive an additional</p> <p>17 approximately \$92 million of value as a result of</p> <p>18 the plan support agreement.</p> <p>19 Q. And when you say "the plan approved,"</p> <p>20 you mean the ultimate plan of reorganization? Is</p> <p>21 that what you're referring to?</p> <p>22 A. Yes.</p> <p>23 Q. And that may be approved independent</p> <p>24 from whether the settlement goes forward or not;</p> <p>25 is that correct?</p>
<p style="text-align: right;">Page 127</p> <p>1 Pfeiffer - Confidential</p> <p>2 in the estimation that there would be a likelihood</p> <p>3 that the \$92 million would be reduced by a</p> <p>4 meaningful amount?</p> <p>5 A. I think that litigation costs and the</p> <p>6 lack of a \$2.1 billion contribution from Allied</p> <p>7 are the two biggest assumptions that underlie my</p> <p>8 conclusion that the -- that but for the plan</p> <p>9 support agreement that \$92 million value to be</p> <p>10 distributed to FGIC-insured trusts would go down</p> <p>11 by a material amount.</p> <p>12 Q. And is it your understanding that the</p> <p>13 \$92 million to be distributed to the FGIC-insured</p> <p>14 trusts gets to the FGIC-insured trusts in</p> <p>15 connection with the settlement, a FGIC settlement</p> <p>16 agreement?</p> <p>17 MR. KOTWICK: Objection to the form.</p> <p>18 MR. KOH: Objection.</p> <p>19 Go ahead.</p> <p>20 A. My understanding is that the -- as</p> <p>21 referenced in the plan term sheet, which is</p> <p>22 Exhibit A to the PSA, that the plan -- that this</p> <p>23 commutation settlement is an integral part of the</p> <p>24 plan support agreement; and if not for the</p> <p>25 proposal, the plan support agreement would be an</p>	<p style="text-align: right;">Page 129</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. KOTWICK: Objection to the form.</p> <p>3 MR. KOH: Objection.</p> <p>4 MR. SIDMAN: Objection.</p> <p>5 A. As I referred to earlier, my</p> <p>6 understanding is that the plan support agreement</p> <p>7 cannot go forward without the FGIC settlement</p> <p>8 agreement as part of it.</p> <p>9 Q. But the plan can go forward; correct?</p> <p>10 MR. KOTWICK: Objection to form.</p> <p>11 MR. KOH: Objection.</p> <p>12 MR. KOTWICK: Asked and answered.</p> <p>13 A. I think I answered the question.</p> <p>14 Q. You can't answer that one separately,</p> <p>15 whether the plan can go forward in the absence of</p> <p>16 a settlement?</p> <p>17 MR. WEITNAUER: Which plan?</p> <p>18 MR. BAIO: An ultimate plan of</p> <p>19 reorganization.</p> <p>20 A. The plan support agreement that we are</p> <p>21 all talking about here --</p> <p>22 Q. Yes.</p> <p>23 A. -- that is subject to confirmation</p> <p>24 cannot go forward without the FGIC settlement</p> <p>25 agreement as part of it.</p>

<p style="text-align: right;">Page 130</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. But the recoveries that the investors</p> <p>3 would be entitled to for these claims identified</p> <p>4 in paragraph 59 would continue to survive;</p> <p>5 correct?</p> <p>6 MR. KOH: Objection.</p> <p>7 MR. KOTWICK: Objection to form.</p> <p>8 MR. SIDMAN: Objection.</p> <p>9 Q. It's just that you don't know what the</p> <p>10 amount would be?</p> <p>11 MR. KOH: Objection.</p> <p>12 MR. KOTWICK: Objection.</p> <p>13 MR. KOH: It's argumentative, calls for</p> <p>14 a legal conclusion.</p> <p>15 A. Can you repeat the question, please?</p> <p>16 Q. Yes. The \$92 million entitlement just</p> <p>17 doesn't disappear; correct?</p> <p>18 MR. KOTWICK: Objection.</p> <p>19 MR. KOH: Objection.</p> <p>20 MR. SIDMAN: Objection.</p> <p>21 Q. In the absence of a settlement?</p> <p>22 MR. KOTWICK: Objection to form.</p> <p>23 A. In the absence of a settlement, the \$92</p> <p>24 million disappears and the negotiation and the</p> <p>25 litigation and the claim start from square one.</p>	<p style="text-align: right;">Page 132</p> <p>1 Pfeiffer - Confidential</p> <p>2 of the recoveries from the R&W claims.</p> <p>3 Q. And are there documents that reflect</p> <p>4 the work that you just described?</p> <p>5 A. I don't understand the question.</p> <p>6 Q. You said that as of May 15th, 2013, we</p> <p>7 had not quantified the \$92 million number. But it</p> <p>8 was one that you calculated thereafter; correct?</p> <p>9 A. That's correct.</p> <p>10 Q. Are there documents that reflect that</p> <p>11 calculation?</p> <p>12 A. There's an allocation schedule that is</p> <p>13 provided in connection with the plan support</p> <p>14 agreement and with -- in connection with the</p> <p>15 disclosure statements. And if you do the</p> <p>16 arithmetic to add the 47 insured trusts' recovery,</p> <p>17 you would -- you would arrive at a number which is</p> <p>18 approximately \$92 million.</p> <p>19 Q. My question is do you have work papers</p> <p>20 or documents that reflect that calculation.</p> <p>21 A. I think I just answered that the</p> <p>22 document that reflects that calculation is the --</p> <p>23 the document is the schedule that accompanies the</p> <p>24 disclosure statement that was provided recently.</p> <p>25 Q. So you don't have any document at</p>
<p style="text-align: right;">Page 131</p> <p>1 Pfeiffer - Confidential</p> <p>2 And that is what paragraph 59 points out.</p> <p>3 Q. Now, you did not identify the</p> <p>4 consideration contained in paragraph 59 when you</p> <p>5 made your presentation to the trustees; correct?</p> <p>6 MR. KOTWICK: Objection to the form,</p> <p>7 asked and answered.</p> <p>8 MR. KOH: Objection.</p> <p>9 A. We did -- we did discuss that in the</p> <p>10 presentation on March -- on May 15th, and it is</p> <p>11 referenced as one of the -- or the first benefit</p> <p>12 listed as a benefit for the acceptance of the FGIC</p> <p>13 settlement proposal.</p> <p>14 Q. In your report in paragraph 59 you say,</p> <p>15 "While not part of D&P's May 15, 2013,</p> <p>16 presentation to the FGIC trustees, I understand</p> <p>17 that," and then you identify these claims.</p> <p>18 What did you mean when you wrote,</p> <p>19 "while not part of D&P's May 15, 2013,</p> <p>20 presentation to the FGIC trustees"?</p> <p>21 A. What that means is that at May 15th of</p> <p>22 2013 we had not quantified the \$92 million number.</p> <p>23 The \$92 million number was one that can only be</p> <p>24 quantified at the conclusion of the mediation</p> <p>25 sessions and after we had concluded our allocation</p>	<p style="text-align: right;">Page 133</p> <p>1 Pfeiffer - Confidential</p> <p>2 Duff & Phelps that does that calculation, takes</p> <p>3 the information from one document and generates</p> <p>4 the \$92 million? Is that your testimony?</p> <p>5 MR. KOH: Objection.</p> <p>6 MR. KOTWICK: Objection to form.</p> <p>7 MR. SIDMAN: Objection, asked and</p> <p>8 answered.</p> <p>9 A. We were -- Duff & Phelps provided the</p> <p>10 numbers that were presented in the schedules or</p> <p>11 that were attached to the disclosure statement.</p> <p>12 Q. And there's a document that reflects</p> <p>13 that -- correct? -- other than the disclosure</p> <p>14 statement?</p> <p>15 MR. KOTWICK: Objection to form.</p> <p>16 MR. KOH: Objection.</p> <p>17 A. The schedules have numbers on them.</p> <p>18 Q. Yes.</p> <p>19 A. And those numbers are provided for each</p> <p>20 trust. One can therefore do the calculation based</p> <p>21 on those numbers to arrive at an estimate that</p> <p>22 would be consistent with the \$92 million number.</p> <p>23 Q. Did you do that calculation?</p> <p>24 A. Yes.</p> <p>25 Q. And is that embodied in any document</p>

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<p style="text-align: right;">Page 134</p> <p>1 Pfeiffer - Confidential</p> <p>2 other than what you've testified to, the actual</p> <p>3 calculation?</p> <p>4 A. Yes.</p> <p>5 Q. Did you provide it to us?</p> <p>6 A. I understand that you have the</p> <p>7 schedules, the disclosure statement, and so we</p> <p>8 provided that to you. If you're asking if we</p> <p>9 provided a summary of the \$92 million and how that</p> <p>10 number is -- how we add up to that number, I don't</p> <p>11 know. You'd have to ask counsel if that was</p> <p>12 provided to you.</p> <p>13 Q. I want to know about your calculation</p> <p>14 document, not the publicly available documents.</p> <p>15 Do you know if you produced it?</p> <p>16 MR. KOTWICK: Objection, asked and</p> <p>17 answered.</p> <p>18 A. I don't know if we produced it.</p> <p>19 Q. Okay. I request it.</p> <p>20 A. You have to request counsel.</p> <p>21 Q. I don't think you have. I request it.</p> <p>22 MR. GELFARB: On behalf of Freddie Mac,</p> <p>23 we request production as well.</p> <p>24 MR. KOH: We will consider your request</p> <p>25 and get back to you.</p>	<p style="text-align: right;">Page 136</p> <p>1 Pfeiffer - Confidential</p> <p>2 the fact that it says "among other things" in the</p> <p>3 first three words of paragraph 59. But we did not</p> <p>4 quantify it in the report.</p> <p>5 Q. And as you sit here today, can you tell</p> <p>6 me what those other things are, with any</p> <p>7 specificity?</p> <p>8 A. Only with what -- only what I referred</p> <p>9 to in response to your prior question.</p> <p>10 I could provide a little bit more</p> <p>11 clarity, now that I think about it for an extra</p> <p>12 minute.</p> <p>13 To the extent that there are ultimately</p> <p>14 gains, the trusts would be entitled to those</p> <p>15 gains, or write-ups. You know, we typically think</p> <p>16 of loss of principal and interest. But to the</p> <p>17 extent that the -- that there are write-ups</p> <p>18 instead of write-downs, the trusts would be</p> <p>19 entitled to those write-ups in the future and not</p> <p>20 FGIC.</p> <p>21 Q. And that would be under the settlement</p> <p>22 agreement? Is that your testimony?</p> <p>23 A. Yes.</p> <p>24 Q. Were you an expert witness in the</p> <p>25 Celebrity Cruises case?</p>
<p style="text-align: right;">Page 135</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Are there any other additional</p> <p>3 recoveries that you were referring to when you</p> <p>4 identified additional consideration that might be</p> <p>5 received by the investors since the March 26,</p> <p>6 2013, proposal was received by you?</p> <p>7 A. As I -- as I mentioned earlier, the</p> <p>8 plan support agreement -- the plan support</p> <p>9 agreement makes clear that to the extent there are</p> <p>10 additional -- other recoveries at that the trust</p> <p>11 is entitled -- these trusts are entitled to such</p> <p>12 recoveries.</p> <p>13 Q. And what are you referring to there?</p> <p>14 What other recoveries?</p> <p>15 A. I'm not able to provide you the</p> <p>16 specific circumstances and amounts of what those</p> <p>17 recoveries would be, but to the extent that there</p> <p>18 is additional benefit, the trusts are entitled to</p> <p>19 it.</p> <p>20 Q. You did not quantify those additional</p> <p>21 benefits, did you?</p> <p>22 A. We did not.</p> <p>23 Q. And they are not identified in your</p> <p>24 report; is that correct?</p> <p>25 A. Unless -- I mean, I would only refer to</p>	<p style="text-align: right;">Page 137</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I was.</p> <p>3 Q. And what were you retained to do in</p> <p>4 that case?</p> <p>5 A. I was retained to assess the damages</p> <p>6 associated with the Legionnaire's disease that</p> <p>7 impacted Celebrity Cruise Lines.</p> <p>8 Q. And who retained you?</p> <p>9 A. I was retained by a law firm --</p> <p>10 Celebrity Cruise Lines and counsel at Hill Betts.</p> <p>11 Q. And is it accurate that after making a</p> <p>12 series of adjustments you calculated that</p> <p>13 Celebrity suffered total loss of profits of</p> <p>14 approximately \$92 million?</p> <p>15 A. I don't recall the number.</p> <p>16 MR. BAIO: I'm going to ask the</p> <p>17 reporter to mark as the next exhibit the</p> <p>18 reported decision in Celebrity Cruises, Inc.</p> <p>19 MR. KERR: Is there a citation for</p> <p>20 that?</p> <p>21 MR. BAIO: Yes. 434 F. Supp 2d 169,</p> <p>22 May 12th, 2006.</p> <p>23 Q. Do you recall who the judge was?</p> <p>24 A. I do not recall.</p> <p>25 Q. Was it Magistrate Judge Francis?</p>

35 (Pages 134 - 137)

<p style="text-align: right;">Page 138</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I think so, yes.</p> <p>3 MR. BAIO: Let's mark this as Exhibit</p> <p>4 4.</p> <p>5 (Pfeiffer Exhibit 4, reported decision</p> <p>6 in Celebrity Cruises, Inc., marked for</p> <p>7 identification.)</p> <p>8 Q. Can you look at page 13 of this</p> <p>9 printout. You'll see that there's reference to</p> <p>10 your name, Allen Pfeiffer? Do you see that?</p> <p>11 A. I do.</p> <p>12 Q. And it states in I think it is the</p> <p>13 second sentence: "After making a series of</p> <p>14 adjustments, Mr. Pfeiffer calculated that</p> <p>15 Celebrity suffered total lost profits of</p> <p>16 approximately \$92 million."</p> <p>17 Do you see that?</p> <p>18 A. I do.</p> <p>19 Q. Does that refresh your recollection as</p> <p>20 to what you calculated in that case?</p> <p>21 A. That's one aspect of my analysis, but</p> <p>22 yes.</p> <p>23 Q. And another aspect of your analysis was</p> <p>24 you deducted from that amount \$11 million</p> <p>25 attributable to direct lost revenue, out-of-pocket</p>	<p style="text-align: right;">Page 140</p> <p>1 Pfeiffer - Confidential</p> <p>2 because, if not exclusively because, the</p> <p>3 assumptions that we used differed from the one</p> <p>4 expert that was not excluded.</p> <p>5 So they didn't want there to be --</p> <p>6 Judge Francis did not want there to be seven,</p> <p>7 eight, nine, ten experts providing different</p> <p>8 damage calculations, and therefore he found one</p> <p>9 expert that used assumptions that were different</p> <p>10 from all the others, accepted that one expert, and</p> <p>11 excluded all the others as -- as not reliable and</p> <p>12 flawed because the assumptions were inconsistent</p> <p>13 with the other expert.</p> <p>14 Q. You were one of the experts whose</p> <p>15 methodology was found to be flawed; correct?</p> <p>16 A. Correct.</p> <p>17 Q. And to use Judge Francis's words -- and</p> <p>18 I'm quoting from page 14 -- he said that your</p> <p>19 analysis suffers from the same fatal flaws as</p> <p>20 another expert's methodology, "reliance on</p> <p>21 projections that were not borne out in reality,</p> <p>22 period."</p> <p>23 Do you see that?</p> <p>24 A. Where are you reading from exactly, I'm</p> <p>25 sorry?</p>
<p style="text-align: right;">Page 139</p> <p>1 Pfeiffer - Confidential</p> <p>2 costs, and brand repair expense items included in</p> <p>3 certain categories; is that correct?</p> <p>4 A. Yes.</p> <p>5 Q. And is it accurate to state that the</p> <p>6 court rejected your analysis in that case?</p> <p>7 A. Yes.</p> <p>8 Q. And what is your understanding as to</p> <p>9 why the court rejected your analysis in that case?</p> <p>10 MR. KOH: Objection.</p> <p>11 A. My understanding is that in the context</p> <p>12 of a Dalbert motion -- Dalbert motions were filed</p> <p>13 with respect to the seven witnesses that --</p> <p>14 actually more than seven, I'm sorry. It's ten</p> <p>15 witnesses that were proffered in this case as</p> <p>16 experts to assess damages.</p> <p>17 And prior to the hearing in front of a</p> <p>18 jury, the judge excluded all but one of the</p> <p>19 plaintiff's experts. And I was one of the</p> <p>20 plaintiff experts that was excluded from</p> <p>21 testifying in front of the jury.</p> <p>22 So Celebrity was the plaintiff. All</p> <p>23 the experts were excluded except for one, and my</p> <p>24 understanding is that the judge ruled that our</p> <p>25 assumptions were flawed or not reliable primarily</p>	<p style="text-align: right;">Page 141</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. If you go to page 13, the second full</p> <p>3 paragraph starts, "This analysis suffers from the</p> <p>4 same fatal flaws Dr. Lassiter's methodology,</p> <p>5 reliance on projections that were not borne out in</p> <p>6 reality."</p> <p>7 Do you see that?</p> <p>8 A. I see that, page 14, yes.</p> <p>9 Q. And it's your understanding that that's</p> <p>10 what the judge's conclusion was; correct?</p> <p>11 MR. KOH: Objection.</p> <p>12 Q. You relied on projections that were not</p> <p>13 borne out in reality?</p> <p>14 MR. KOH: Objection.</p> <p>15 A. That's correct. As I described before,</p> <p>16 one of the experts showed the projections relative</p> <p>17 to what was -- what actually occurred and</p> <p>18 therefore adjusted the projections in light of</p> <p>19 that. The experts, not just me, but all the other</p> <p>20 experts did not do that, and therefore the judge</p> <p>21 concluded that our analysis suffered from that</p> <p>22 flaw.</p> <p>23 Q. And if you look at the end of the</p> <p>24 judge's criticisms of your analysis, it states --</p> <p>25 and I'm on page 14, that last paragraph before the</p>

<p style="text-align: right;">Page 142</p> <p>1 Pfeiffer - Confidential</p> <p>2 next expert's name -- it states, "Mr. Pfeiffer</p> <p>3 failed to justify in his final analysis his choice</p> <p>4 of a, quote, reasonable rate of return by, for</p> <p>5 example, comparing it to rates of returns for</p> <p>6 comparable companies."</p> <p>7 Do you see that?</p> <p>8 MR. KOH: Objection.</p> <p>9 A. I do.</p> <p>10 Q. And that was the judge's conclusion; is</p> <p>11 that correct?</p> <p>12 A. Yes, it was.</p> <p>13 Q. And he goes on to state, "Since none of</p> <p>14 the individual components of Mr. Pfeiffer's</p> <p>15 analysis is reliable, the average is likewise</p> <p>16 flawed and his expert opinion will not be</p> <p>17 admitted."</p> <p>18 Do you see that?</p> <p>19 A. I do.</p> <p>20 Q. And that was the judge's ruling; isn't</p> <p>21 that right?</p> <p>22 A. Yes, as I described to you, the</p> <p>23 projections -- the components of -- the component</p> <p>24 referred to here, the projections, he did not</p> <p>25 accept the reliability of those projections and</p>	<p style="text-align: right;">Page 144</p> <p>1 Pfeiffer - Confidential</p> <p>2 the jury did not include my -- my analysis. And</p> <p>3 so I don't know to what extent the expert -- the</p> <p>4 one expert who survived, I don't know to what</p> <p>5 extent he incorporated elements of my analysis and</p> <p>6 whether that was heard in front of the jury.</p> <p>7 Q. That's what you don't know?</p> <p>8 A. I don't know, but I'm told that</p> <p>9 elements of my analysis were helpful to the expert</p> <p>10 that ultimately testified in front of the jury.</p> <p>11 Q. But you didn't testify in front of the</p> <p>12 jury; correct?</p> <p>13 A. I did not.</p> <p>14 MR. BAIO: All right. Let's take a</p> <p>15 lunch break.</p> <p>16 (Time noted: 12:26 p.m.)</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 143</p> <p>1 Pfeiffer - Confidential</p> <p>2 excluded testimony based on them.</p> <p>3 Q. Did you, in this case, Celebrity</p> <p>4 Cruises, do the comparison that the judge asserts</p> <p>5 you did not, that is, comparing it to rates of</p> <p>6 returns for comparable companies? Did you in fact</p> <p>7 do such an analysis in that case?</p> <p>8 A. You know, I don't recall. I would</p> <p>9 assume that I did. I don't -- I don't recall.</p> <p>10 Q. Well, did the attorneys appeal this</p> <p>11 decision, if you know?</p> <p>12 A. You know, the attorneys were -- I don't</p> <p>13 believe they appealed, and I believe they got a</p> <p>14 result in trial that was consistent with my</p> <p>15 opinion.</p> <p>16 Q. But they got --</p> <p>17 A. They were satisfied with the conclusion</p> <p>18 of the case, and they were satisfied with my</p> <p>19 involvement and my testimony as well.</p> <p>20 Q. But they got that result without your</p> <p>21 participation; correct?</p> <p>22 MR. KOH: Objection.</p> <p>23 A. My participation was in an earlier</p> <p>24 hearing in front of the judge, and my expert</p> <p>25 report was part of that process. The ruling from</p>	<p style="text-align: right;">Page 145</p> <p>1</p> <p>2 AFTERNOON SESSION</p> <p>3 (Time noted: 1:14 p.m.)</p> <p>4 (Mr. Devore leaves proceedings.)</p> <p>5 ALLEN M. PFEIFFER,</p> <p>6 resumed as a witness, having been previously</p> <p>7 affirmed by the notary public, was examined</p> <p>8 and testified further as follows:</p> <p>9 EXAMINATION CONTINUED BY</p> <p>10 MR. BAIO:</p> <p>11 Q. Can you look at Exhibit 1, please. I'd</p> <p>12 like to draw your attention to paragraph 9, scope</p> <p>13 of work. It states in paragraph 9 that your,</p> <p>14 "assignment is to assess the reasonableness from a</p> <p>15 financial perspective and from the perspective of</p> <p>16 the FGIC-insured trusts of the settlement</p> <p>17 agreement which provides for, among other things,</p> <p>18 a lump-sum payment by FGIC to the FGIC-insured</p> <p>19 trusts" (the commutation payment) in satisfaction</p> <p>20 of any obligations of FGIC to make payments in the</p> <p>21 future (the projected payments) to the FGIC-</p> <p>22 insured trusts under the FGIC rehabilitation plan</p> <p>23 as that term is defined below (the commutation)."</p> <p>24 Do you see that language?</p> <p>25 A. Yes.</p>

<p style="text-align: right;">Page 146</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. And does that accurately reflect what</p> <p>3 your assignment was in this matter --</p> <p>4 A. Yes.</p> <p>5 Q. -- at least with respect to this</p> <p>6 report?</p> <p>7 A. Yes.</p> <p>8 Q. What did you mean by the word</p> <p>9 "reasonableness" in that -- what did you -- what</p> <p>10 did you mean by the word "reasonableness" in the</p> <p>11 scope of work and the assignment that you</p> <p>12 undertook?</p> <p>13 A. What I meant is that when you compare</p> <p>14 the commutation payment and all the other benefits</p> <p>15 associated with the settlement agreement, if you</p> <p>16 compare that to the range of outcomes that one may</p> <p>17 expect from the projected payments under the rehab</p> <p>18 plan, are they reasonably close to one another,</p> <p>19 meaning do the range of the expected payments --</p> <p>20 when you look at that range, is this conclusion,</p> <p>21 is this proposal, within that range.</p> <p>22 Q. And when you say "within that range,"</p> <p>23 do you mean anywhere within that range?</p> <p>24 A. "Reasonable" to me means reasonably</p> <p>25 within that range. And it's not just a number</p>	<p style="text-align: right;">Page 148</p> <p>1 Pfeiffer - Confidential</p> <p>2 range in determining reasonableness.</p> <p>3 Q. And the range includes positives and</p> <p>4 negatives -- is that correct? -- positives for the</p> <p>5 investors and negatives for the investors in</p> <p>6 establishing the range?</p> <p>7 MR. KOTWICK: Objection to the form.</p> <p>8 A. There's -- the range includes</p> <p>9 assumptions that have upside and downside risks,</p> <p>10 benefits, quantifiable benefits, less quantifiable</p> <p>11 benefits. It considers a lot of factors.</p> <p>12 Q. And when you use the term "expect from</p> <p>13 the projected payments," what standard did you use</p> <p>14 to determine whether something could be expected</p> <p>15 in establishing the range?</p> <p>16 A. We looked at the base case and the</p> <p>17 stress case. We noted all the risks associated</p> <p>18 with the cash flows and the uncertainties of the</p> <p>19 cash flows and, with our significant amount of</p> <p>20 expertise in looking at cash flows, then</p> <p>21 determined to what extent we can get comfortable</p> <p>22 with an expected case and the discount rate</p> <p>23 associated with those expected cash flows in that</p> <p>24 expected case.</p> <p>25 Q. And when you are using the word</p>
<p style="text-align: right;">Page 147</p> <p>1 Pfeiffer - Confidential</p> <p>2 that I'm looking at; it's also in consideration of</p> <p>3 all the other risks and benefits associated with</p> <p>4 the proposal.</p> <p>5 Q. You were doing your analysis from a</p> <p>6 financial perspective; correct?</p> <p>7 A. Correct.</p> <p>8 Q. Not from any other perspective?</p> <p>9 A. Correct.</p> <p>10 Q. And when you say -- and I need to go --</p> <p>11 when you state that you were going to make the</p> <p>12 comparison "to the range of outcomes that one may</p> <p>13 expect from the projected payments under the rehab</p> <p>14 plan," what did you mean by "range of outcomes"?</p> <p>15 A. What I mean is that there's -- there's</p> <p>16 various cases -- in this case there are two</p> <p>17 different projections: There's a base case and a</p> <p>18 stress case. There's different discount rates,</p> <p>19 among other assumptions that need to be made.</p> <p>20 And so when you model out the rehab</p> <p>21 plan -- the rehab plan's expected payments, you</p> <p>22 will arrive, we will arrive, we have arrived at a</p> <p>23 range of results.</p> <p>24 And so we compare the commutation</p> <p>25 payment along with the other benefits to that</p>	<p style="text-align: right;">Page 149</p> <p>1 Pfeiffer - Confidential</p> <p>2 "expected," do you mean reasonably expected?</p> <p>3 A. I think that's fair.</p> <p>4 Q. Now, you were not asked to assess</p> <p>5 whether the settlement agreement was in the best</p> <p>6 interest of the FGIC-insured trusts; correct?</p> <p>7 A. Correct.</p> <p>8 Q. And you were not asked whether the</p> <p>9 settlement agreement was in the best interest of</p> <p>10 the investors; is that correct?</p> <p>11 A. That's correct.</p> <p>12 Q. And you did not provide any opinion to</p> <p>13 your clients, to the trustees, as to whether the</p> <p>14 settlement, the proposed settlement, was in the</p> <p>15 best interest of the insured trusts; correct?</p> <p>16 A. Correct. Our assignment was to provide</p> <p>17 them a view as to the reasonableness of the offer</p> <p>18 and advise them relative to the risks and the</p> <p>19 benefits of that proposal. And it was the</p> <p>20 trustees who then determined if in light of that</p> <p>21 if the proposal was in their best interests or</p> <p>22 not.</p> <p>23 Q. So just to have a clear answer to my</p> <p>24 question, you did not provide any opinion to the</p> <p>25 trustees as to whether the proposed settlement was</p>

<p style="text-align: right;">Page 150</p> <p>1 Pfeiffer - Confidential</p> <p>2 in the best interest of the insured trusts;</p> <p>3 correct?</p> <p>4 MR. SIDMAN: Objection.</p> <p>5 MR. KOH: Objection.</p> <p>6 A. You have used the word "any" in your</p> <p>7 question, and that is the reason why I qualified</p> <p>8 my answer. We did not provide an opinion relative</p> <p>9 to what's in their best interests. That was not</p> <p>10 our mandate. However, we did provide input with</p> <p>11 respect to much of the questions that they might</p> <p>12 ask in determining what is in their best interest.</p> <p>13 So we provided a lot of input, and we</p> <p>14 provided clearly an opinion on the reasonableness</p> <p>15 of the offer. But we did not tell them how to,</p> <p>16 you know -- what to do in terms of determining</p> <p>17 what's in their best interests.</p> <p>18 Q. I understand. I'm not asking what you</p> <p>19 didn't tell them; I'm asking -- and this is a</p> <p>20 different question -- did you advise the trustees</p> <p>21 that the settlement agreement was in the best</p> <p>22 interest of the investors in the FGIC-insured</p> <p>23 trusts.</p> <p>24 MR. KOTWICK: Objection to form.</p> <p>25 MR. SIDMAN: Objection.</p>	<p style="text-align: right;">Page 152</p> <p>1 Pfeiffer - Confidential</p> <p>2 correct?</p> <p>3 A. Yes.</p> <p>4 Q. Why does it fall within the reasonable</p> <p>5 range, in your view?</p> <p>6 MR. KOTWICK: Objection to form.</p> <p>7 A. It falls within it.</p> <p>8 Q. Does it fall within the low end of the</p> <p>9 reasonable range?</p> <p>10 MR. KOTWICK: Objection to form.</p> <p>11 A. I think -- after considering all the</p> <p>12 risks and benefits associated with the plan and</p> <p>13 the uncertainties with regard to the cash flows</p> <p>14 and the consideration of both the base case and</p> <p>15 the stress case, I think it falls comfortably in</p> <p>16 the middle of the range.</p> <p>17 Q. So you didn't conclude that it falls</p> <p>18 within the high end of the range; correct?</p> <p>19 MR. KOTWICK: Objection to form.</p> <p>20 MR. SIDMAN: Objection to form.</p> <p>21 A. We made no such conclusion as to</p> <p>22 exactly where within the range it falls.</p> <p>23 Q. And you did not tell the trustees where</p> <p>24 in the range you believed the settlement proposal</p> <p>25 fell, the commutation payment; correct?</p>
<p style="text-align: right;">Page 151</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. That was not our mandate, no.</p> <p>3 Q. And you didn't tell them that; correct?</p> <p>4 A. We did not tell them what's in the best</p> <p>5 interest of the trusts.</p> <p>6 Q. If you look at the summary of</p> <p>7 conclusions, you'll see in paragraph 12 on page 7</p> <p>8 you state conclusion one. First, was that -- is</p> <p>9 that your conclusion as a result of the work that</p> <p>10 you undertook, that is, one of your two</p> <p>11 conclusions?</p> <p>12 A. Yes.</p> <p>13 Q. Did you communicate that conclusion to</p> <p>14 the trustees when you made the presentation to the</p> <p>15 trustees?</p> <p>16 A. Yes.</p> <p>17 Q. And the conclusion that you reach at</p> <p>18 the end of that sentence, of those sentences, is</p> <p>19 "It is my conclusion that the commutation payment</p> <p>20 amount of approximately 253.3 million falls within</p> <p>21 a reasonable range given the expected cash flows</p> <p>22 associated with the projected payments."</p> <p>23 Do you see that?</p> <p>24 A. Yes.</p> <p>25 Q. And that is your opinion; is that</p>	<p style="text-align: right;">Page 153</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Correct.</p> <p>3 Q. Your conclusion two is "From a</p> <p>4 financial perspective, it is my conclusion that it</p> <p>5 was reasonable for the FGIC trustees to agree to</p> <p>6 the settlement agreement and thereby accept the</p> <p>7 commutation payment over the projected payments."</p> <p>8 Do you see that?</p> <p>9 A. Yes.</p> <p>10 Q. And did you tell that to the trustees?</p> <p>11 A. No. This is a subsequent conclusion.</p> <p>12 Q. When were you asked to undertake that</p> <p>13 analysis that led to the conclusion?</p> <p>14 A. Well, subsequent to their agreeing --</p> <p>15 to the trustees agreeing to a settlement</p> <p>16 agreement, I am now opining that it is my</p> <p>17 conclusion that it was reasonable for the trustees</p> <p>18 to agree to the settlement agreement. So I was</p> <p>19 asked to provide a view on that sometime between</p> <p>20 the end of May and today.</p> <p>21 Q. What did you do, after you were asked</p> <p>22 to opine on that subject, to give you the ability</p> <p>23 to opine on that subject?</p> <p>24 A. Reviewed all the same information we</p> <p>25 had prior to the -- prior to the May 15th</p>

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1 Pfeiffer - Confidential
2 presentation, considered everything that happened
3 between May 15th and the date of the settlement
4 agreement, which I believe was May 23rd,
5 considered the results of the mediation and the
6 plan support agreement, considered anything that
7 had happened between May and today.
8 And I have -- after consideration of
9 all those factors, I am here today to reconfirm
10 our conclusion that it was reasonable for the FGIC
11 trustees to agree to the settlement agreement.
12 Q. What things occurred after May 15th
13 that you included in your analysis that led to
14 this conclusion?
15 A. Well, for one, as we mentioned earlier,
16 the mediation was successful, which led to a plan
17 support agreement, which led to significant
18 benefit associated with the settlement agreement
19 in that it's an integral part of the plan support
20 agreement, which I think provides value to the 47
21 insured trusts.
22 Q. What else?
23 A. We've also had the opportunity to
24 revisit and focus more on the rehabilitation plan,
25 the discount rate, and the underlying assumptions.

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1 Pfeiffer - Confidential
2 And that additional analysis and support after May
3 15th, provided for more comfort.
4 And we also had the opportunity to meet
5 with Monarch and Stonehill, heard their viewpoint,
6 considered that viewpoint, and, you know, all that
7 subsequent information contributes to our current
8 conclusion -- my current conclusion that it was
9 reasonable to agree to the settlement agreement.
10 Q. And were you present at the meeting
11 with Monarch and Stonehill?
12 A. I was.
13 Q. And what did you learn during that
14 meeting?
15 A. I learned during that meeting that they
16 had a different perspective on the expected -- or
17 I call projected payments relative to the
18 settlement agreement.
19 Q. And what did they say in that regard?
20 A. They said they expected to get a lot of
21 value out of the payments from the rehabilitation
22 plan, and they felt that value exceeded the
23 commutation proposal.
24 Q. Did they tell you why they reached that
25 conclusion?

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1 Pfeiffer - Confidential
2 A. Yes.
3 Q. What did they say?
4 A. Their focus was on a trading analysis
5 that when they looked at how these securities
6 traded that they priced in a certain amount of
7 value from the rehabilitation plan and that that
8 amount was, in their estimation, higher than the
9 commutation proposal.
10 Q. Did they describe for you how they did
11 that trading analysis?
12 A. Not in much detail, no.
13 Q. Did they do it in any detail?
14 A. Not really, no.
15 Q. Did you ask any questions about their
16 trading analysis?
17 A. Yes, I did.
18 Q. What did you ask, and what did they
19 say?
20 A. We asked how they arrived at their
21 conclusions, and they basically described that
22 they backed out the value in the security -- in
23 the securities that they held. They backed out
24 the value associated with the actual collateral.
25 And what was left from their

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1 Pfeiffer - Confidential
2 perspective was cents on the dollar associated
3 with the rehabilitation plan and that their
4 estimate of what that was worth was greater than
5 the estimate of the commutation proposal.
6 They didn't want to provide the actual
7 analysis or worksheets that backed up that
8 assessment.
9 Q. Did you ask for them?
10 A. We did.
11 Q. Did you respond to their statements in
12 the meeting as to their view of the value under
13 the plan as opposed to the commutation agreement?
14 A. We were -- we were, by and large, in a
15 listening mode.
16 Q. Did you say anything?
17 A. Yes.
18 Q. What did you say?
19 A. We explained how we got to our
20 conclusion.
21 Q. And did you say anything about their
22 conclusion to them?
23 A. That we were happy to see more.
24 Q. Did you get input from any other
25 investors besides Monarch and Stonehill?

40 (Pages 154 - 157)

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1 Pfeiffer - Confidential
2 MR. KOTWICK: Objection to the form.
3 A. At that meeting?
4 Q. No, at any time?
5 A. Well, subsequent to that date, we have
6 received objections and expert reports that seem
7 to reflect the view of Freddie, among others.
8 Q. Have you reviewed those reports and
9 objections?
10 A. I have.
11 Q. And have you incorporated them in the
12 evaluations that you undertook that led to what
13 you've said today?
14 MR. KOH: Objection.
15 MR. SIDMAN: Objection to form.
16 A. I have incorporated everything that I
17 have learned from those expert reports and
18 objections, and my opinion remains the same today
19 as it was at the time of my expert report on July
20 19th.
21 Q. If you look at page 7, paragraph 13,
22 you go on to state, "While I do not conclude that
23 acceptance of the commutation payment inevitably
24 will be a superior result for all investors" --
25 and I'm going to stop right there.

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2 What do you mean by "inevitably"? With
3 an absolute certainty?
4 A. Yes.
5 Q. Did you do any evaluation of the
6 likelihood that investors would receive a greater
7 recovery under the rehabilitation plan as opposed
8 to the settlement agreement?
9 A. We don't do likelihood analysis as you
10 described.
11 Q. So you didn't do that?
12 A. We did provide a range of estimates, as
13 you see in our report and in our presentation, and
14 that is the way we look at the potential that the
15 result will be superior or inferior to the
16 commutation payment.
17 Q. Well, my question to you is did you do
18 any evaluation of the likelihood that investors
19 would receive more under the rehabilitation plan
20 than they would under the settlement agreement.
21 A. No.
22 Q. You were not asked to do that?
23 A. No.
24 Q. And you reached your conclusions
25 without doing any such evaluation; correct?

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2 A. We did not evaluate likelihoods, no.
3 Q. As you sit here today, can you say what
4 the likelihood is that investors would receive a
5 higher recovery under the rehabilitation plan as
6 opposed to the settlement agreement?
7 A. No.
8 Q. Is it your understanding that under the
9 settlement agreement the FGIC trusts release all
10 claims against ResCap other than payments
11 contemplated by the proposed ResCap plan?
12 MR. KOH: Objection.
13 MR. KOTWICK: Objection.
14 A. Can you restate the question, please?
15 Q. Yes. Is it your understanding that
16 under the proposed settlement agreement the FGIC
17 trusts release all claims against ResCap other
18 than payments contemplated by the proposed ResCap
19 plan?
20 MR. KOH: Objection.
21 MR. KOTWICK: Objection.
22 A. Sounds too much like a lawyer question.
23 I can't answer it.
24 Q. Okay. So you don't know whether under
25 the proposed settlement agreement the FGIC trusts

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2 release their claims against ResCap other than
3 what they would get under the plan?
4 MR. KOTWICK: Objection.
5 MR. KOH: Objection.
6 MR. SIDMAN: Objection.
7 A. Can you say that again, please?
8 Q. You don't know whether under the --
9 it's not there. Is it your understanding that
10 under the proposed settlement agreement the FGIC
11 trusts release all claims against ResCap other
12 than the payments contemplated by the proposed
13 ResCap plan?
14 MR. KOH: Objection.
15 MR. SIDMAN: Objection.
16 A. There's too many legal conclusions that
17 I would have to make in answering that question.
18 My understanding is consistent with the settlement
19 agreement and the subsequent plan support
20 agreement, and the rights and what's waived are
21 spelled out clearly in those agreements. And I'm
22 not here to provide, you know that, that kind of
23 legal interpretation.
24 Q. What is your understanding as to what
25 claims the FGIC trust will release under the

<p style="text-align: right;">Page 162</p> <p>1 Pfeiffer - Confidential</p> <p>2 settlement agreement, if you have any</p> <p>3 understanding?</p> <p>4 MR. KOH: Objection.</p> <p>5 A. My understanding is that they will</p> <p>6 release the claims that they have for accrued and</p> <p>7 unpaid amounts and future losses of principal and</p> <p>8 interest associated with these trusts. They will</p> <p>9 not be making those claims to FGIC because instead</p> <p>10 in return they have received the up-front payment</p> <p>11 as described in the investment agreement.</p> <p>12 Q. Now, I want you to assume that the</p> <p>13 settlement agreement is approved but the proposed</p> <p>14 ResCap plan is not. Okay. Do you have those two</p> <p>15 things in your head?</p> <p>16 A. Yes.</p> <p>17 Q. Under that circumstance the FGIC trusts</p> <p>18 received zero recovery from ResCap; correct?</p> <p>19 MR. KOTWICK: Objection.</p> <p>20 MR. SIDMAN: Objection.</p> <p>21 MR. KOH: Objection.</p> <p>22 Q. If you know.</p> <p>23 A. That is not necessarily the case.</p> <p>24 Q. Okay. And why do you say that?</p> <p>25 A. They would have a claim, a rep and</p>	<p style="text-align: right;">Page 164</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Under that scenario is it your</p> <p>3 understanding that the FGIC trusts will not</p> <p>4 receive any recovery from ResCap?</p> <p>5 A. I answered that question already.</p> <p>6 Q. And what is the answer?</p> <p>7 MR. KOTWICK: Objection to form.</p> <p>8 MR. KOH: Objection.</p> <p>9 A. Not necessarily.</p> <p>10 Q. Okay. So that's your understanding.</p> <p>11 Did you calculate the value of the</p> <p>12 claims against ResCap that the FGIC trusts are</p> <p>13 releasing under the release provision?</p> <p>14 MR. KOTWICK: Objection to form.</p> <p>15 A. I don't know.</p> <p>16 Q. I want you to assume again that the</p> <p>17 settlement agreement is approved but the ResCap</p> <p>18 plan is not. Under that circumstance or that</p> <p>19 combination of circumstances, is it true and</p> <p>20 accurate that the FGIC trusts will only receive</p> <p>21 the \$253.3 million commutation amount with no</p> <p>22 other recoveries from either FGIC or ResCap?</p> <p>23 MR. KOTWICK: Objection to form.</p> <p>24 MR. KOH: Objection.</p> <p>25 MR. SIDMAN: Objection.</p>
<p style="text-align: right;">Page 163</p> <p>1 Pfeiffer - Confidential</p> <p>2 warranty claim, against ResCap, and they may or</p> <p>3 may not be entitled to a certain amount -- or</p> <p>4 recover a certain amount from that claim, even if</p> <p>5 the plan support agreement was not confirmed.</p> <p>6 Q. So it's your understanding that that</p> <p>7 rep and warranty claim is not being released under</p> <p>8 the settlement agreement; is that correct?</p> <p>9 MR. KOTWICK: Objection.</p> <p>10 MR. KOH: Objection.</p> <p>11 A. My understanding is that it is -- the</p> <p>12 plan support agreement and the settlement</p> <p>13 agreement are intertwined in that sense, that</p> <p>14 there is an understanding that the settlement</p> <p>15 agreement is part of the plan support agreement</p> <p>16 and that they maintain their rights to the rep and</p> <p>17 warranty claim.</p> <p>18 Q. I'm asking a different question. I</p> <p>19 want you -- you understand that the settlement</p> <p>20 agreement can be approved but that the ResCap plan</p> <p>21 may not be approved? Do you understand that?</p> <p>22 A. That is a possibility.</p> <p>23 MR. KOH: Objection.</p> <p>24 Q. That is what I want you to assume.</p> <p>25 A. Okay.</p>	<p style="text-align: right;">Page 165</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I understand that to be the same</p> <p>3 question you asked me earlier, and the answer is</p> <p>4 not necessarily.</p> <p>5 Q. Well, the earlier question was only</p> <p>6 against ResCap. Now I added FGIC. We can take</p> <p>7 them separately to avoid compounding.</p> <p>8 A. Okay. I answered the question as</p> <p>9 regards ResCap.</p> <p>10 Q. Yes.</p> <p>11 A. Not necessarily. They could still</p> <p>12 recover in some other plan. If it's not this plan</p> <p>13 support agreement or some other reorganization</p> <p>14 plan of ResCap, they could still recover</p> <p>15 something.</p> <p>16 Q. What do you base that on?</p> <p>17 A. That they have a claim and they're not</p> <p>18 giving up that rep and warranty claim. So if it's</p> <p>19 not negotiated in terms of the recovery as built</p> <p>20 into the current plan support agreement, that plan</p> <p>21 support agreement is not confirmed, the claim</p> <p>22 still exists and they could pursue that claim as</p> <p>23 part of the reorganization process.</p> <p>24 Q. And have you estimated the value of</p> <p>25 that claim? And that's against ResCap.</p>

<p style="text-align: right;">Page 166</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. WEITNAUER: Object to form.</p> <p>3 A. I have estimated it based on the</p> <p>4 current plan support agreement that's in place at</p> <p>5 \$92 million. And absent a different set of</p> <p>6 circumstances, I would say the value is \$92</p> <p>7 million.</p> <p>8 But if that plan support agreement went</p> <p>9 away, as we discussed earlier, I think the</p> <p>10 value -- the value -- the likely recovery and</p> <p>11 therefore value associated with that claim would</p> <p>12 be diminished.</p> <p>13 Q. And assuming, again, that the</p> <p>14 settlement agreement is approved but the ResCap</p> <p>15 plan is not approved, is it your understanding</p> <p>16 that the FGIC trusts will only receive the \$253.3</p> <p>17 million commutation amount with no other</p> <p>18 recoveries from FGIC?</p> <p>19 MR. KOTWICK: Objection to form.</p> <p>20 MR. KOH: Objection.</p> <p>21 MR. SIDMAN: Objection.</p> <p>22 A. Not necessarily.</p> <p>23 Q. And why do you say that?</p> <p>24 A. As I mentioned earlier, there could be</p> <p>25 instances where there's additional recovery to the</p>	<p style="text-align: right;">Page 168</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. That's my understanding.</p> <p>3 Q. Let's look at the D&P role as financial</p> <p>4 advisor, paragraph 14.</p> <p>5 A. Okay.</p> <p>6 Q. We talked a little bit about the</p> <p>7 confidential information sentence. Let's go to</p> <p>8 the next one: D&P performed an independent</p> <p>9 financial analysis to determine a reasonable range</p> <p>10 of the value of projected payments to the</p> <p>11 FGIC-insured trusts based on the rehabilitation</p> <p>12 plan.</p> <p>13 What did you mean by "projected</p> <p>14 payments" there? What are the components of the</p> <p>15 projected payments?</p> <p>16 A. Well, there's a -- there's payments</p> <p>17 that are made out of the plan to all the</p> <p>18 policyholders, and a certain portion of those</p> <p>19 payments are made to the FGIC-insured trusts. And</p> <p>20 so what I mean here is that we determine the value</p> <p>21 of such payments on a present value basis.</p> <p>22 Q. And what are the components of payments</p> <p>23 that you included which you applied the present</p> <p>24 value analysis to?</p> <p>25 A. There's the CPP --</p>
<p style="text-align: right;">Page 167</p> <p>1 Pfeiffer - Confidential</p> <p>2 trusts.</p> <p>3 Q. From FGIC?</p> <p>4 A. I don't know how they -- I don't know</p> <p>5 how they'd flow, whether from FGIC or not. But it</p> <p>6 would be from a -- if a loan -- a loan is presumed</p> <p>7 to have a certain loss and then the homeowner</p> <p>8 subsequently makes certain payments that creates</p> <p>9 in essence a write-up and additional recovery to</p> <p>10 the trust that the trusts would be -- would be</p> <p>11 able to receive.</p> <p>12 And I don't know if that goes through</p> <p>13 FGIC or directly to the trusts, but that would</p> <p>14 provide a circumstance in which the trusts can</p> <p>15 ultimately receive more than the \$253 million.</p> <p>16 Q. And it's your understanding that the</p> <p>17 trusts do not release or waive those claims to the</p> <p>18 extent they are against FGIC under the settlement</p> <p>19 agreement. Is that your testimony?</p> <p>20 A. I would not refer to them as claims; I</p> <p>21 would refer to them as recoveries.</p> <p>22 Q. Okay. And those recoveries are not</p> <p>23 waived under the settlement agreement against</p> <p>24 FGIC. Is that your testimony?</p> <p>25 MR. KOH: Objection.</p>	<p style="text-align: right;">Page 169</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Yes.</p> <p>3 A. -- the initial CPP.</p> <p>4 Q. Yes.</p> <p>5 A. And then there's the additional CPP</p> <p>6 after the initial payment. And then on top of</p> <p>7 that there's a DPO accretion amount. Those are</p> <p>8 the -- those are the -- those are the components</p> <p>9 of the projected payments.</p> <p>10 Q. No other components?</p> <p>11 A. Well, I should add there's a netting of</p> <p>12 those components for the payments that the trusts</p> <p>13 would make to the -- to FGIC, the premium</p> <p>14 payments -- the premiums that would need to be</p> <p>15 made by the trusts to FGIC are a component of that</p> <p>16 cash flow that gets netted out against those</p> <p>17 payments.</p> <p>18 Q. Okay. Anything else?</p> <p>19 A. Not that comes to mind right now.</p> <p>20 Q. You go on to state, "D&P presented the</p> <p>21 analysis on an ongoing basis to the FGIC trustees</p> <p>22 during the mediation."</p> <p>23 Do you see that language?</p> <p>24 A. I do.</p> <p>25 Q. Did you meet with the trustees more</p>

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<p style="text-align: right;">Page 170</p> <p>1 Pfeiffer - Confidential</p> <p>2 than once?</p> <p>3 MR. KOTWICK: Objection to form.</p> <p>4 A. We met with trustees' counsel more than</p> <p>5 once.</p> <p>6 Q. Okay. I'm literally using the term you</p> <p>7 used in your document, "FGIC trustees." I</p> <p>8 understand you might have met with FGIC trustees'</p> <p>9 counsel.</p> <p>10 Did you meet with or have a</p> <p>11 conversation with the FGIC trustees more than what</p> <p>12 you've testified to, the conference call that you</p> <p>13 identified?</p> <p>14 MR. WEITNAUER: Object to form.</p> <p>15 A. I don't recall if the trustees were</p> <p>16 part of any of the conversations that we have with</p> <p>17 trustee counsel.</p> <p>18 Q. But with trustee counsel you did</p> <p>19 provide the analysis on some ongoing basis;</p> <p>20 correct?</p> <p>21 A. Yes.</p> <p>22 Q. And you did that in writing, among</p> <p>23 other things?</p> <p>24 MR. KOTWICK: Objection to form.</p> <p>25 A. In writing upon -- and in addition to</p>	<p style="text-align: right;">Page 172</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Yes.</p> <p>3 Q. And that FGIC's own calculation leading</p> <p>4 to a payment amount of \$253.3 million is what's on</p> <p>5 page 5 of your report dated May 15th, 2013;</p> <p>6 correct?</p> <p>7 A. Correct.</p> <p>8 Q. You then go on to say, "It also</p> <p>9 presents D&P's independent analysis of the</p> <p>10 projected payments and the commutation. It is</p> <p>11 important to note that the guidance provided by</p> <p>12 D&P was based on information received from FGIC</p> <p>13 and Lazard."</p> <p>14 I'll put a close quote there because I</p> <p>15 want to ask you what information was it that</p> <p>16 constituted the guidance that was provided to you</p> <p>17 that you used to reach the conclusions that you've</p> <p>18 identified.</p> <p>19 A. The information that we received from</p> <p>20 FGIC and Lazard includes the projections, the</p> <p>21 rehab plan, and the discussions we had with them</p> <p>22 with respect to such plan.</p> <p>23 Q. Anything else?</p> <p>24 A. I think we adequately discussed that</p> <p>25 earlier in reference to the diligence discussion</p>
<p style="text-align: right;">Page 171</p> <p>1 Pfeiffer - Confidential</p> <p>2 other things, yes, meaning telephone conversations</p> <p>3 and in-person meetings.</p> <p>4 Q. You go on to refer to -- you'll see on</p> <p>5 the carryover page 9, Attachment 3. And you</p> <p>6 state, "The presentation gives background</p> <p>7 information about the rehabilitation plan,</p> <p>8 financial considerations concerning the proposal</p> <p>9 and the rehabilitation plan, and reviews FGIC's</p> <p>10 own calculations leading to a payment amount of</p> <p>11 \$253.3 million."</p> <p>12 Do you see that?</p> <p>13 A. I do. I don't want to belabor the</p> <p>14 point, but you did read one of the words</p> <p>15 incorrectly.</p> <p>16 Q. I apologize. Which one?</p> <p>17 A. You read the word "covering" as</p> <p>18 "concerning."</p> <p>19 Q. I see. Let's try it again. "The</p> <p>20 presentation gives background information about</p> <p>21 the rehabilitation plan, financial considerations</p> <p>22 covering the proposal in the rehabilitation plan,</p> <p>23 and reviews FGIC's own calculations leading to a</p> <p>24 payment amount of \$253.3 million."</p> <p>25 Do you see that?</p>	<p style="text-align: right;">Page 173</p> <p>1 Pfeiffer - Confidential</p> <p>2 topics that are summarized in Exhibit 2. And we</p> <p>3 also had several other phone conversations with</p> <p>4 them to understand further, but that's -- that's</p> <p>5 what's referred to here in the sentence in terms</p> <p>6 of the information received from FGIC and Lazard.</p> <p>7 Q. That information -- did it include</p> <p>8 documents in addition to what you just identified?</p> <p>9 A. No.</p> <p>10 Q. So you know that -- well, strike that.</p> <p>11 It says the conclusions reached by D&P</p> <p>12 resulted from its own independent analysis of that</p> <p>13 information and publicly available information.</p> <p>14 Do you see that?</p> <p>15 A. Yes.</p> <p>16 Q. And that's accurate; correct?</p> <p>17 A. Yes.</p> <p>18 Q. Look at paragraph 25 of your report.</p> <p>19 A. Okay.</p> <p>20 Q. The updated runoff projections you</p> <p>21 referred to there were provided by FGIC and</p> <p>22 Lazard?</p> <p>23 A. Yes.</p> <p>24 Q. And the 17 to 18 percent figure and the</p> <p>25 lower percentage of the notional nondiscounted</p>

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<p style="text-align: right;">Page 174</p> <p>1 Pfeiffer - Confidential</p> <p>2 amounts were from Lazard and FGIC as well?</p> <p>3 A. Yes.</p> <p>4 Q. Except for the last sentence in</p> <p>5 paragraph 26, is all of the information provided</p> <p>6 by Lazard or FGIC?</p> <p>7 A. Yes.</p> <p>8 Q. So is it correct that "According to</p> <p>9 Lazard, the net present value of aggregate</p> <p>10 recoveries divided by the net present value of all</p> <p>11 permitted policy claims are estimated to be 27 to</p> <p>12 30 percent under rehabilitation plan using a 10 to</p> <p>13 20 percent discount range"?</p> <p>14 Is that correct?</p> <p>15 A. Yes.</p> <p>16 Q. And did you think that was a reasonable</p> <p>17 range?</p> <p>18 A. I don't understand your question.</p> <p>19 Q. Did you believe that the range of 27 to</p> <p>20 30 percent provided by Lazard was reasonable?</p> <p>21 MR. KOTWICK: Objection to the form.</p> <p>22 MR. KOH: Objection.</p> <p>23 MR. SIDMAN: Objection.</p> <p>24 A. I think Lazard made a reasonable</p> <p>25 attempt to take the base-case scenario and</p>	<p style="text-align: right;">Page 176</p> <p>1 Pfeiffer - Confidential</p> <p>2 page 28 in doing that correction; is that correct?</p> <p>3 A. Yes.</p> <p>4 Q. Where do you get the numbers from the</p> <p>5 chart on 28, Table 1, which led you to correct</p> <p>6 what appears in paragraph 26?</p> <p>7 A. If you look at page 28 and you look at</p> <p>8 the first shaded box, referring to the</p> <p>9 rehabilitation plan, so you'll see on the right</p> <p>10 side of that box there's recovery amounts of 217</p> <p>11 to 340.</p> <p>12 Then when you take those dollar amounts</p> <p>13 and translate them to percentages, it results in</p> <p>14 the range that's directly below that of 19 to 22</p> <p>15 percent on a nominal claim basis and 24 to 28</p> <p>16 percent on the discounted claim basis. And those</p> <p>17 are the numbers that should be in paragraph -- the</p> <p>18 end of paragraph 26.</p> <p>19 Q. Are there any other changes in this</p> <p>20 report that you want to make today?</p> <p>21 A. No.</p> <p>22 Q. Can you turn to paragraph 31 under the</p> <p>23 heading "calculation of projected cash flows from</p> <p>24 the rehabilitation plan."</p> <p>25 MR. KOTWICK: Joe, if we're going to</p>
<p style="text-align: right;">Page 175</p> <p>1 Pfeiffer - Confidential</p> <p>2 discount them back to arrive at a conclusion</p> <p>3 relative to the net present value to the aggregate</p> <p>4 recoveries -- the aggregate recoveries divided by</p> <p>5 the net present value of all permitted policy</p> <p>6 claims.</p> <p>7 I don't have an opinion relative to</p> <p>8 whether 27 to 30 percent is reasonable or not.</p> <p>9 Q. You did no analysis to determine</p> <p>10 whether that was reasonable; is that correct?</p> <p>11 A. No, my focus was on the FGIC-insured</p> <p>12 trusts.</p> <p>13 Q. And do you think that their calculation</p> <p>14 was made in good faith?</p> <p>15 A. Yes.</p> <p>16 Q. You then did a calculation for the</p> <p>17 FGIC-insured trusts as described in the last</p> <p>18 sentence; is that correct?</p> <p>19 A. That's correct, although the sentence</p> <p>20 has a typo in it.</p> <p>21 Q. The 28 percent should be 29?</p> <p>22 A. I think the 18 to 23 should be --</p> <p>23 should be 19 to 22, and the 22 to 28 should be 24</p> <p>24 to 28.</p> <p>25 Q. And you were referring to the table on</p>	<p style="text-align: right;">Page 177</p> <p>1 Pfeiffer - Confidential</p> <p>2 change subjects, can we take a quick break,</p> <p>3 five minutes?</p> <p>4 MR. BAIO: I'm okay with that. The</p> <p>5 witness needs to hustle. That's why I'm</p> <p>6 hustling. That's fine. Let's take the five.</p> <p>7 MR. KOTWICK: I appreciate that.</p> <p>8 (Recess taken from 2:04 to 2:13.)</p> <p>9 Q. Going back to paragraph 12 in your</p> <p>10 report, Exhibit 1.</p> <p>11 A. Going backwards now?</p> <p>12 MR. KOTWICK: I thought we were making</p> <p>13 progress.</p> <p>14 A. Okay.</p> <p>15 Q. You state at the end that it is your</p> <p>16 conclusion that the commutation payment amount of</p> <p>17 approximately \$25.3 million falls within a</p> <p>18 reasonable range given the expected cash flows</p> <p>19 associated with the projected payments.</p> <p>20 What is your reasonable range?</p> <p>21 MR. KOTWICK: Objection to form.</p> <p>22 MR. SIDMAN: Objection to form. You</p> <p>23 also misstated the amount.</p> <p>24 MR. BAIO: Sorry. I'll do it again.</p> <p>25 Q. "It is my conclusion that the</p>

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<p style="text-align: right;">Page 178</p> <p>1 Pfeiffer - Confidential</p> <p>2 commutation amount of approximately \$253.3 million</p> <p>3 falls within a reasonable range given the expected</p> <p>4 cash flows associated with the projected</p> <p>5 payments."</p> <p>6 What is the reasonable range that you</p> <p>7 came up with?</p> <p>8 A. I wouldn't define the range as a</p> <p>9 specific number with a beginning and an end. If</p> <p>10 you look at our presentation, you'll note numbers,</p> <p>11 but I don't -- that's not really the range that's</p> <p>12 referred to in this paragraph. The reference here</p> <p>13 is that it is within the range of reasonableness</p> <p>14 in a more qualitative way than a quantitative way.</p> <p>15 Q. So you didn't formulate a reasonable</p> <p>16 range in a dollar amount? Is that your testimony?</p> <p>17 A. My testimony is, as I stated a moment</p> <p>18 ago, that I concluded a range with respect to</p> <p>19 purely the dollar amounts as reflected on page 3</p> <p>20 but --</p> <p>21 Q. And what is that range? I just want to</p> <p>22 get that. Then you can add whatever you want to</p> <p>23 it. But what is the range?</p> <p>24 A. There's a range of -- the range on page</p> <p>25 3 is the range of the present value of the</p>	<p style="text-align: right;">Page 180</p> <p>1 Pfeiffer - Confidential</p> <p>2 focused on the range of reasonableness in</p> <p>3 consideration of not just the cash payments as</p> <p>4 outlined towards the bottom of page 3 of the</p> <p>5 Attachment 3 but also the risks and benefits that</p> <p>6 are -- that are incorporated on that page.</p> <p>7 Q. And you didn't quantify those risks and</p> <p>8 benefits; is that correct?</p> <p>9 MR. KOH: Objection to form.</p> <p>10 Go ahead.</p> <p>11 A. That's correct, as of May 15th, as of</p> <p>12 this presentation, with certain exceptions. As of</p> <p>13 May 15th, we did quantify the benefit of not</p> <p>14 having to pay future premiums. That's worth \$18</p> <p>15 million, approximately \$18 million. So that was</p> <p>16 quantified --</p> <p>17 Q. Okay.</p> <p>18 A. -- and included in our analysis.</p> <p>19 Then subsequent to that presentation,</p> <p>20 we also quantified the \$92 million of benefit to</p> <p>21 the trusts associated with the plan settlement</p> <p>22 agreement that would come to the trusts based on</p> <p>23 the rep and warranty claims.</p> <p>24 Q. But the 92 million would be on the left</p> <p>25 side under your analysis -- correct? -- not on the</p>
<p style="text-align: right;">Page 179</p> <p>1 Pfeiffer - Confidential</p> <p>2 projected payments under the two different plans.</p> <p>3 And that -- those numbers are 190 to 340.</p> <p>4 However, that is not the range that is referred to</p> <p>5 in paragraph 12.</p> <p>6 Q. What range is referred to in paragraph</p> <p>7 12?</p> <p>8 A. Paragraph 12 is a reference to the fact</p> <p>9 that 253 falls within a reasonable range.</p> <p>10 Probably could have written it as falls within a</p> <p>11 range of reasonableness, meaning that when you</p> <p>12 consider not just the numbers that I referred to</p> <p>13 on page 3 of Attachment 3 but also all the other</p> <p>14 risks and benefits, 253 is within the range of</p> <p>15 reasonableness.</p> <p>16 Q. So you can't identify a reasonable</p> <p>17 range in a fixed dollar amount, starting point and</p> <p>18 concluding point? Is that your testimony?</p> <p>19 MR. SIDMAN: Objection to form.</p> <p>20 MR. KOH: Objection.</p> <p>21 A. My testimony is that I would not put a</p> <p>22 range, meaning I would not say that if the number</p> <p>23 was 195 that's within a range and 330 is within a</p> <p>24 range. I didn't view it that way because I'm not</p> <p>25 focused on the range that's on page 3. I'm</p>	<p style="text-align: right;">Page 181</p> <p>1 Pfeiffer - Confidential</p> <p>2 right side?</p> <p>3 MR. KOH: Objection to form.</p> <p>4 Q. That was in your analysis it somehow</p> <p>5 increases the \$253 million cash payment. Does it</p> <p>6 also ripple through the base scenario and stress</p> <p>7 scenario in the absence of the plan -- the absence</p> <p>8 of the settlement agreement?</p> <p>9 MR. KOTWICK: Objection to the form.</p> <p>10 MR. SIDMAN: Objection to form.</p> <p>11 MR. KOH: Same objection.</p> <p>12 A. The \$92 million does not impact the</p> <p>13 cash payments that would be provided under the</p> <p>14 FGIC plan that result in the net present value</p> <p>15 that's estimated on page 3.</p> <p>16 So the range that you see on page 3 on</p> <p>17 the right side of the page would not be impacted</p> <p>18 by the \$92 million.</p> <p>19 Q. Under your analysis?</p> <p>20 A. Under my analysis, yes.</p> <p>21 Q. Would a commutation payment of \$240</p> <p>22 million have fallen within what you view as a</p> <p>23 reasonable range?</p> <p>24 MR. KOTWICK: Objection.</p> <p>25 A. We were not asked to draw that</p>

<p style="text-align: right;">Page 182</p> <p>1 Pfeiffer - Confidential</p> <p>2 conclusion.</p> <p>3 Q. And you cannot say under oath whether</p> <p>4 in your view \$240 million would fall within a</p> <p>5 reasonable range?</p> <p>6 MR. KOH: Objection.</p> <p>7 MR. KOTWICK: Objection.</p> <p>8 Q. Is that correct?</p> <p>9 A. It likely would have, but we would have</p> <p>10 to consider -- consider it and meet with -- and</p> <p>11 meet with my colleagues and make a determination.</p> <p>12 We as a firm and I sitting here today have not</p> <p>13 drawn that conclusion relative to any other number</p> <p>14 except for the 253 and the terms of the proposal</p> <p>15 as they're stated here today.</p> <p>16 Q. How about a \$190 million payment, would</p> <p>17 that fall within a reasonable range, based on all</p> <p>18 the work that you did for the months and months</p> <p>19 that you worked as a commutation payment, compared</p> <p>20 to everything that you know and all the work that</p> <p>21 you've done?</p> <p>22 MR. KOH: Objection.</p> <p>23 MR. KOTWICK: Objection to form.</p> <p>24 Q. Is that a reasonable settlement amount?</p> <p>25 MR. SIDMAN: Objection.</p>	<p style="text-align: right;">Page 184</p> <p>1 Pfeiffer - Confidential</p> <p>2 side, the amount of the payment. All other things</p> <p>3 remaining equal, can you testify today that \$190</p> <p>4 million falls within the range of reasonableness?</p> <p>5 MR. KOH: Objection.</p> <p>6 MR. KOTWICK: Objection.</p> <p>7 MR. SIDMAN: Objection.</p> <p>8 Q. "Yes" or "no"?</p> <p>9 A. I think I answered that \$190 million</p> <p>10 was not considered by us as a proposal, and we</p> <p>11 have not made a determination with respect to its</p> <p>12 reasonableness.</p> <p>13 Q. So you can't say, as you sit here,</p> <p>14 based on everything that you've done, whether in</p> <p>15 your view \$190 million would fall within a</p> <p>16 reasonable range; is that correct?</p> <p>17 MR. KOH: Objection.</p> <p>18 MR. SIDMAN: Objection.</p> <p>19 A. That's correct. I can guess, but I</p> <p>20 would not have done the work, and I have not made</p> <p>21 a determination with respect to that number or 240</p> <p>22 million or any other number besides 253.</p> <p>23 Q. How about \$150 million, as a</p> <p>24 commutation payment. As you sit here today and</p> <p>25 based on all the information that you've done and</p>
<p style="text-align: right;">Page 183</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Similar to the answer that I gave you</p> <p>3 on the \$240 million, we have not been asked nor</p> <p>4 have I spent the time to assess a \$190 million</p> <p>5 proposal.</p> <p>6 Q. And as you sit here today, based on</p> <p>7 everything that you know and all the information</p> <p>8 that you have absorbed in the months you have</p> <p>9 worked on this, you cannot say whether \$190</p> <p>10 million falls within a reasonable range in your</p> <p>11 estimation; is that correct?</p> <p>12 MR. KOH: Objection.</p> <p>13 MR. KOTWICK: Objection.</p> <p>14 MR. SIDMAN: Objection.</p> <p>15 A. I could tell you that we likely would</p> <p>16 think that \$190 million is not within a reasonable</p> <p>17 range. However, I have not done the analysis to</p> <p>18 fully -- to fully appreciate the benefits of \$190</p> <p>19 million relative -- and all the other dollars that</p> <p>20 would come along with that relative to the</p> <p>21 rehabilitation plan.</p> <p>22 So I'm not in a position right now to</p> <p>23 draw a firm conclusion with respect to any other</p> <p>24 number except to the 253.</p> <p>25 Q. I'm just talking about the left-hand</p>	<p style="text-align: right;">Page 185</p> <p>1 Pfeiffer - Confidential</p> <p>2 all the data you've absorbed and all the analyses</p> <p>3 you've performed, can you say whether \$150 million</p> <p>4 would fall within the reasonable range of a</p> <p>5 settlement?</p> <p>6 MR. KOTWICK: Objection to form.</p> <p>7 MR. KOH: Objection.</p> <p>8 MR. SIDMAN: Objection.</p> <p>9 A. When you get to 150 million, I am much</p> <p>10 more confident that it is not within a reasonable</p> <p>11 range given the fact the initial CPP is</p> <p>12 approximately \$150 million.</p> <p>13 Q. How about \$160 million, what's your</p> <p>14 view of that number? Slightly more than the</p> <p>15 initial CPP under certain scenarios. Do you have</p> <p>16 a view as to whether that falls within a range of</p> <p>17 reasonableness?</p> <p>18 MR. KOTWICK: Objection to the form.</p> <p>19 A. I'd rather not get drawn into a</p> <p>20 discussion about 160, 170, 180, 190, 200. Like I</p> <p>21 said, we did not establish a range in that way</p> <p>22 that anything outside this range is reasonable</p> <p>23 and -- is unreasonable and in the range is</p> <p>24 reasonable, because there are a lot of other</p> <p>25 considerations beyond those numbers.</p>

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<p style="text-align: right;">Page 186</p> <p>1 Pfeiffer - Confidential</p> <p>2 So my answer for 160 is the same answer</p> <p>3 as I gave you for 190 and the same answer as I</p> <p>4 gave you for 140.</p> <p>5 Having said that, the closer you get to</p> <p>6 150 the more likely I am to tell you that the</p> <p>7 commutation proposal at that number is not</p> <p>8 reasonable.</p> <p>9 Q. Well, what is the payment anticipated</p> <p>10 under the rehabilitation plan as the initial CPP?</p> <p>11 A. In our estimation it's approximately</p> <p>12 \$150 million.</p> <p>13 Q. And with that you can't say, as you sit</p> <p>14 here today, whether an additional \$10 million of</p> <p>15 an initial payment added to the 150 for a total of</p> <p>16 160 falls within the range of reasonableness in</p> <p>17 your view based on the estimations and the</p> <p>18 evaluations that you did?</p> <p>19 MR. KOH: Objection.</p> <p>20 MR. KOTWICK: Objection to form, asked</p> <p>21 and answered.</p> <p>22 Q. Is that correct?</p> <p>23 MR. SIDMAN: Objection.</p> <p>24 A. As I said before, the closer the number</p> <p>25 gets to 150, the lower it gets, the more likely I</p>	<p style="text-align: right;">Page 188</p> <p>1 Pfeiffer - Confidential</p> <p>2 associated with the plan and whether the trusts</p> <p>3 are likely to get an additional \$10 million out of</p> <p>4 that plan and whether on the other side the</p> <p>5 benefits of the waived premiums of 18 million and</p> <p>6 the -- and the fact that they're part of an</p> <p>7 integrated plan which allows the resolution of all</p> <p>8 the ResCap litigation -- and as I mentioned</p> <p>9 earlier the \$92 million -- whether how that value</p> <p>10 offsets the potential cash flows from the</p> <p>11 rehabilitation plan with all the risks inherent in</p> <p>12 those cash flows.</p> <p>13 Q. Well, you've already evaluated the</p> <p>14 potential cash flows from the rehabilitation plan;</p> <p>15 correct? Those don't change?</p> <p>16 A. We've evaluated the present value of</p> <p>17 the cash flows based on our estimation of the</p> <p>18 claims that we would put forth and the cash</p> <p>19 available under the rehabilitation plan.</p> <p>20 Q. And that doesn't change. You don't</p> <p>21 need to do any further analysis; is that correct?</p> <p>22 A. We don't need to do any further</p> <p>23 analysis to arrive at the conclusions that are on</p> <p>24 page -- the right side of page 3 in my attachment.</p> <p>25 However, if you are to ask me about a number</p>
<p style="text-align: right;">Page 187</p> <p>1 Pfeiffer - Confidential</p> <p>2 am to determine that the number is not reasonable.</p> <p>3 We have not done that analysis, you know.</p> <p>4 And we can go over and over again the</p> <p>5 same question with regard to all different</p> <p>6 numbers. My answer will be the same, that as the</p> <p>7 number goes lower and lower, it's less likely</p> <p>8 reasonable. As the number gets higher and higher,</p> <p>9 it's going to be more reasonable.</p> <p>10 The only number that we made a</p> <p>11 determination on is 253 and the other benefits</p> <p>12 associated with that, including the waived</p> <p>13 premiums and the fact there's a global resolution</p> <p>14 and all the other ResCap-related litigation</p> <p>15 issues.</p> <p>16 And so my answer hasn't changed.</p> <p>17 Q. What work would you have to do to be</p> <p>18 able to address whether a payment of \$160 million</p> <p>19 would fall within a reasonable range?</p> <p>20 MR. KOTWICK: Objection to the form.</p> <p>21 A. We have to consider the fact that \$160</p> <p>22 million is well south of the present value of the</p> <p>23 expected payments for the rehabilitation plan.</p> <p>24 And so since the number is south of the expected</p> <p>25 payments, we would have to consider all the risks</p>	<p style="text-align: right;">Page 189</p> <p>1 Pfeiffer - Confidential</p> <p>2 outside the range, outside these numbers that are</p> <p>3 on the right side, so outside the 190 or outside</p> <p>4 the 340, I would then have to consider the risks</p> <p>5 associated with the cash flows -- well, is it</p> <p>6 possible that the cash flows would get worse than</p> <p>7 the stress scenario and is it possible that the</p> <p>8 benefits that I'm getting by the proposal,</p> <p>9 including the premiums and the inclusion in the</p> <p>10 plan settlement agreement, offset the fact that,</p> <p>11 you know, the hypothetical proposal as you</p> <p>12 presented it is below the range of the present</p> <p>13 value associated with the cash flows from the</p> <p>14 plan.</p> <p>15 Q. 160 is below 190. Am I right about</p> <p>16 that?</p> <p>17 A. You are correct about that.</p> <p>18 Q. Okay. And are you at all concerned</p> <p>19 that the range that you came up with is 190 to</p> <p>20 340, that it's so wide? Do you have any concerns</p> <p>21 about that?</p> <p>22 MR. SIDMAN: Objection to form.</p> <p>23 A. I do not, no.</p> <p>24 MR. BAIO: I'm going to ask the</p> <p>25 reporter to mark as the next exhibit a</p>

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<p style="text-align: right;">Page 190</p> <p>1 Pfeiffer - Confidential</p> <p>2 multipage document with the Bates numbers</p> <p>3 PFEIFFER 400 to PFEIFFER 437.</p> <p>4 (Pfeiffer Exhibit 5, FGIC financial</p> <p>5 statements as of 3/31/13, Bates-stamped</p> <p>6 PFEIFFER 400 to PFEIFFER 437, marked for</p> <p>7 identification.)</p> <p>8 Q. Have you seen Exhibit 5 before?</p> <p>9 A. I have.</p> <p>10 Q. What is it?</p> <p>11 A. The financial statements for FGIC as of</p> <p>12 March 31st, 2013.</p> <p>13 Q. What is it your understanding as to</p> <p>14 what the information contained in this document</p> <p>15 represents, in general?</p> <p>16 A. It represents the balance sheet</p> <p>17 statement of operations and statement of cash</p> <p>18 flows and the notes associated to all those</p> <p>19 financial statements for FGIC as of March 31st,</p> <p>20 2013.</p> <p>21 Q. Are these the financial statements for</p> <p>22 FGIC for that period on a statutory basis, or is</p> <p>23 that your understanding?</p> <p>24 A. Yes.</p> <p>25 MR. KOH: Objection.</p>	<p style="text-align: right;">Page 192</p> <p>1 Pfeiffer - Confidential</p> <p>2 recoveries of 1 million -- 1 billion, sorry, 58</p> <p>3 million 632.</p> <p>4 Do you see that number?</p> <p>5 A. I do.</p> <p>6 Q. Do you know what that reflects?</p> <p>7 A. I know what's described on the next</p> <p>8 page as to what it's meant to reflect, yes.</p> <p>9 Q. And what is your understanding as to</p> <p>10 what that reflects, that 1 billion 58 million 632</p> <p>11 dollar figure?</p> <p>12 MR. KOTWICK: Objection to form.</p> <p>13 Q. 632,000 dollar figure?</p> <p>14 A. It is meant to describe gross projected</p> <p>15 recoveries, and those are referenced on the top of</p> <p>16 page 30. I'm aware of the fact that one of the</p> <p>17 plaintiff's experts mischaracterized this as an</p> <p>18 estimation for material litigation, and I'm</p> <p>19 confident that that's not what this represents.</p> <p>20 Rather, it represents total gross</p> <p>21 projected recoveries that -- again, we can read</p> <p>22 the paragraph if you'd like. But it says that --</p> <p>23 it says that it can include claims for breaches of</p> <p>24 reps and warranties by the originator or others,</p> <p>25 obtaining appraisals of collateral or reviews of</p>
<p style="text-align: right;">Page 191</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. What is your understanding as to</p> <p>3 statutory basis? What does that mean to you?</p> <p>4 A. Meets the requirements.</p> <p>5 Q. And are they different from GAAP, so</p> <p>6 far as you understand?</p> <p>7 (Pause.)</p> <p>8 Q. I withdraw the question, if it's that</p> <p>9 complicated.</p> <p>10 Can you turn to page 29. Are you on</p> <p>11 29?</p> <p>12 A. No, I was still trying to point you to</p> <p>13 the paper -- pages in this financial statements</p> <p>14 that describe the differences between GAAP and</p> <p>15 statutory statements.</p> <p>16 Q. I withdraw that question.</p> <p>17 A. Now you're asking me about page 29.</p> <p>18 Q. Yep. I'm trying to move it along?</p> <p>19 MR. WEITNAUER: Bates number 29?</p> <p>20 MR. BAIO: No, Bates number 430.</p> <p>21 MR. WEITNAUER: Okay.</p> <p>22 A. Okay.</p> <p>23 Q. You see a chart risk category 4?</p> <p>24 A. I do.</p> <p>25 Q. There is a reference to gross projected</p>	<p style="text-align: right;">Page 193</p> <p>1 Pfeiffer - Confidential</p> <p>2 loan files, enforcing collateral provisions and</p> <p>3 covenants of a servicing or others, more frequent</p> <p>4 meetings with the issuer or servicer, evaluating</p> <p>5 the financial position of the originator or</p> <p>6 servicer, renegotiation of financial covenants,</p> <p>7 triggers or terms of servicing, enforcing rights</p> <p>8 to remove and replace the servicer, evaluation of</p> <p>9 restructuring plans or bankruptcy proceedings, and</p> <p>10 in some cases litigation or arbitration as and</p> <p>11 where appropriate.</p> <p>12 Q. And do you know the extent to which it</p> <p>13 includes amounts estimated for recoveries for</p> <p>14 breach of representation and warranty claims by</p> <p>15 the originator or others?</p> <p>16 A. I do not.</p> <p>17 Q. Do you know the extent to which it</p> <p>18 includes an evaluation of restructuring plans or</p> <p>19 bankruptcy proceedings or in some cases litigation</p> <p>20 or arbitration?</p> <p>21 A. I do not.</p> <p>22 Q. Do you know what the components are on</p> <p>23 the dollar basis of the 1 billion 58 million</p> <p>24 dollar figure?</p> <p>25 A. I do not know the specific components,</p>

<p style="text-align: right;">Page 194</p> <p>1 Pfeiffer - Confidential</p> <p>2 no.</p> <p>3 Q. Did you include that figure, that is,</p> <p>4 that amount, the billion 58 million 632 thousand</p> <p>5 dollars in your evaluations of potential</p> <p>6 recoveries in the absence of a settlement</p> <p>7 agreement?</p> <p>8 A. It's my understanding that it's already</p> <p>9 included -- the great majority of it if not all of</p> <p>10 it is already included in the FGIC rehabilitation</p> <p>11 plan, the cash flows that are provided in the --</p> <p>12 provided for in the affidavit and described in the</p> <p>13 affidavit by Mr. Miller of Lazard.</p> <p>14 Q. And what is your understanding based</p> <p>15 on?</p> <p>16 A. Based on the fact that Lazard told us</p> <p>17 that they can make no estimation of the litigation</p> <p>18 recoveries and therefore these litigation</p> <p>19 recoveries -- if an amount of this 1058632 was to</p> <p>20 be litigation recoveries, they would have provided</p> <p>21 us that estimate.</p> <p>22 And from an accounting perspective,</p> <p>23 they specifically noted that they were not able to</p> <p>24 make that. It's not probable and estimable. And</p> <p>25 therefore all other considerations are included in</p>	<p style="text-align: right;">Page 196</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. -- which is attached as Exhibit 1. If</p> <p>3 you look at page 9 under A, the report states, "A</p> <p>4 majority of the notional claims for the ResCap</p> <p>5 RMBS trust policyholders are presented within the</p> <p>6 first five years post emergence in both high" --</p> <p>7 "both low and high cases."</p> <p>8 Do you see that language?</p> <p>9 A. I do.</p> <p>10 Q. Where did you get that from?</p> <p>11 A. We estimated claims on an annual basis,</p> <p>12 and we added up the first five years of those</p> <p>13 projected claims and noted that the majority of</p> <p>14 the claims are in those first five years.</p> <p>15 Q. What data did you use to do that</p> <p>16 analysis?</p> <p>17 A. The claims are estimated as described</p> <p>18 in my report on -- in Section 7, starting on page</p> <p>19 16. It describes how we went about projecting</p> <p>20 claims. Beginning in paragraph 34, I should say,</p> <p>21 on page 17.</p> <p>22 Q. It says that you used, in paragraph 35,</p> <p>23 the balance of active loans to provide the total</p> <p>24 population of loans.</p> <p>25 Do you see that?</p>
<p style="text-align: right;">Page 195</p> <p>1 Pfeiffer - Confidential</p> <p>2 the rehabilitation plan as provided by FGIC and</p> <p>3 described by Lazard. And therefore, you know,</p> <p>4 it's my estimation that that includes all such</p> <p>5 potential recoveries.</p> <p>6 And to the extent that the recovery is</p> <p>7 the type that is recoverable by the trusts, the</p> <p>8 trusts themselves would still be the beneficiary</p> <p>9 of those recoveries even after the settlement</p> <p>10 agreement is agreed upon.</p> <p>11 Q. That's your understanding?</p> <p>12 A. Yes.</p> <p>13 Q. And that's how you get the \$92 million,</p> <p>14 or that's where it's derived from? Is that</p> <p>15 correct or not?</p> <p>16 MR. KOTWICK: Objection.</p> <p>17 MR. WEITNAUER: Objection.</p> <p>18 MR. KOH: Object.</p> <p>19 MR. SIDMAN: Objection.</p> <p>20 A. No, the \$92 million is something else.</p> <p>21 Q. Can you look at your presentation of</p> <p>22 March 15th, 2013 --</p> <p>23 MR. KERR: You said May 15th?</p> <p>24 MR. BAIO: Did I say March? I mean</p> <p>25 May.</p>	<p style="text-align: right;">Page 197</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Yes.</p> <p>3 Q. Where did you get that data from?</p> <p>4 A. INTex.</p> <p>5 Q. And what did you do on INTex in order</p> <p>6 to secure that information? How did you go about</p> <p>7 it?</p> <p>8 A. My team -- you know, if you have the</p> <p>9 trust information, then you could put that into</p> <p>10 INTex and it will tell you the balance of the</p> <p>11 active loans.</p> <p>12 Q. And your team ran these -- the analysis</p> <p>13 that's identified in paragraphs 34 and the</p> <p>14 following paragraphs; is that correct?</p> <p>15 A. Yes.</p> <p>16 Q. Did you retain any of the analyses that</p> <p>17 your team did in connection with that evaluation?</p> <p>18 A. Yes.</p> <p>19 Q. And did you provide it to us?</p> <p>20 A. I believe we did, yes.</p> <p>21 Q. In what form?</p> <p>22 A. I believe in Excel.</p> <p>23 Q. And that Excel the INTex -- INTex, is</p> <p>24 that the word -- the INTex analyses that your team</p> <p>25 provided or that your team undertook?</p>

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<p style="text-align: right;">Page 198</p> <p>1 Pfeiffer - Confidential</p> <p>2 MR. KOTWICK: Objection to form.</p> <p>3 A. It provides the -- it provides the</p> <p>4 results of our claim analysis on a -- on a trust-</p> <p>5 by-trust basis and the results as summarized on</p> <p>6 page 8 and 9 of the presentation. It provides</p> <p>7 more detail with respect to the range of claim</p> <p>8 estimates that we came up with.</p> <p>9 Q. And if you look at the chart on page 8</p> <p>10 of your May 15th presentation, there are a series</p> <p>11 of percentages in the low case and the high case.</p> <p>12 Let's take the low case first. 65 percent, 80</p> <p>13 percent, 86 percent, do you see those numbers?</p> <p>14 A. I do.</p> <p>15 Q. Where did they come from?</p> <p>16 A. Those are the same numbers we described</p> <p>17 earlier, that as of the end of 2012 the accrued</p> <p>18 and unpaid amount as \$753 million. And therefore</p> <p>19 the notional claim for these ResCap insured --</p> <p>20 FGIC-insured trusts at the end of 2012 was 753.</p> <p>21 Then as we described earlier, you know, it's 789</p> <p>22 or whatever it is as of March.</p> <p>23 Then you project that claim amount</p> <p>24 through the next five years, and it's projected,</p> <p>25 as you see here on the page, that the number will</p>	<p style="text-align: right;">Page 200</p> <p>1 Pfeiffer - Confidential</p> <p>2 would expect to see in the coming years. So</p> <p>3 that's what's referred to as the roll rate</p> <p>4 matrices, and that's -- those rates are referred</p> <p>5 to as the conditional prepayment rates and</p> <p>6 conditional default rates. And you take those</p> <p>7 estimates and put them into INTex to arrive at an</p> <p>8 estimate claim, projected claim.</p> <p>9 Q. You then have, in paragraph 37,</p> <p>10 prepared forecast cash flows under various</p> <p>11 scenarios. Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. And that's the high and the low</p> <p>14 scenarios that you and your team generated; is</p> <p>15 that correct?</p> <p>16 A. Yes.</p> <p>17 Q. What were those high and low scenarios</p> <p>18 based on?</p> <p>19 A. Based on taking those results, results</p> <p>20 that came out of our model, with the various rates</p> <p>21 that we just described. It results in a</p> <p>22 particular forecast. And those forecasts are</p> <p>23 based on, as I described, the CPR and CDR severity</p> <p>24 assumptions.</p> <p>25 And cognizant of the fact that there's</p>
<p style="text-align: right;">Page 199</p> <p>1 Pfeiffer - Confidential</p> <p>2 increase between 2013 and 2017 but an additional</p> <p>3 \$173 million. And therefore that brings the</p> <p>4 cumulative claim from 65 percent up to 80 percent.</p> <p>5 And those numbers were all derived and</p> <p>6 calculated consistent with the description that is</p> <p>7 provided in the section of the report we were just</p> <p>8 looking at, paragraph 34 through 40.</p> <p>9 Q. In paragraph 36 there's a references to</p> <p>10 roll rate transition matrices. Are those also</p> <p>11 found on INTex?</p> <p>12 A. No, you have to provide that as an</p> <p>13 input to INTex.</p> <p>14 Q. And would that be based on assumptions,</p> <p>15 that is, the input that you and your team put in,</p> <p>16 is that based on any assumptions?</p> <p>17 A. Yes.</p> <p>18 Q. What assumptions?</p> <p>19 A. Well, as described, you have -- the</p> <p>20 roll rate transition matrices are -- they're used</p> <p>21 to calculate, as it says in paragraph 36, monthly</p> <p>22 prepayment and default rates for each trust.</p> <p>23 So you look at prepayment and default</p> <p>24 rates for each trusts historically, and then you</p> <p>25 look at rolling that forward to determine what you</p>	<p style="text-align: right;">Page 201</p> <p>1 Pfeiffer - Confidential</p> <p>2 some estimation involved in those forecasts, in</p> <p>3 order to arrive at a low and a high range, we</p> <p>4 stress -- we apply a sensitivity to those</p> <p>5 assumptions by taking 10 percent off the bottom</p> <p>6 and adding 10 percent to the top for each of these</p> <p>7 assumptions. So you see that described in</p> <p>8 paragraph 37.</p> <p>9 Q. And what did you base those assumptions</p> <p>10 on, the high case and low case? Why 10 percent as</p> <p>11 opposed to some other number?</p> <p>12 A. Our judgment is that it makes sense to</p> <p>13 provide some sensitivity to those numbers, and 10</p> <p>14 percent variance was consistent with what we did</p> <p>15 for many other clients facing similar</p> <p>16 circumstances.</p> <p>17 I note, by the way, that this is</p> <p>18 exactly what we did for estimating losses for all</p> <p>19 the trusts, not just the FGIC wrapped trusts, but</p> <p>20 all the 392 trusts that were part of the 9019</p> <p>21 settlement and estimating claims for the</p> <p>22 nonsettling -- additional and nonsettling trusts.</p> <p>23 We used the same exact methodology. We</p> <p>24 did not change our methodology relative to looking</p> <p>25 at the settlement proposal; rather, we just took</p>

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<p style="text-align: right;">Page 202</p> <p>1 Pfeiffer - Confidential</p> <p>2 that information and looked at the 47 trusts that</p> <p>3 are the focus of the settlement to look at what</p> <p>4 the expected losses -- claims might be.</p> <p>5 Q. And do you have documents that reflect</p> <p>6 the analysis that you did with respect to the more</p> <p>7 than 47 trusts, the entire population?</p> <p>8 A. Yes.</p> <p>9 Q. And have you provided them to us?</p> <p>10 A. I don't think so, no.</p> <p>11 MR. BAIO: We're asking for them now.</p> <p>12 MR. GELFARB: Freddie Mac joins in that</p> <p>13 request.</p> <p>14 MR. KOH: We'll consider your request.</p> <p>15 Q. In paragraph 39 you then say, "D&P then</p> <p>16 applied the assumptions resulting from the above-</p> <p>17 described methodology."</p> <p>18 Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. So those are assumptions that result</p> <p>21 from this analysis; is that correct?</p> <p>22 A. Paragraph 39 refers to applies</p> <p>23 assumptions from the above-described methodology</p> <p>24 on a trust-by-trust basis according to the trusts'</p> <p>25 payment structures, kind of the waterfall within</p>	<p style="text-align: right;">Page 204</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. And have you come up with any numbers</p> <p>3 as a result of that continuing to look at it?</p> <p>4 A. No conclusions have been arrived at</p> <p>5 that are different than this estimated range.</p> <p>6 Q. Have the numbers gone up or down?</p> <p>7 MR. KOH: Objection.</p> <p>8 Q. Based on whatever your ongoing analysis</p> <p>9 is.</p> <p>10 MR. KOH: Objection.</p> <p>11 A. They have not gone up or down. We have</p> <p>12 not concluded on a different number.</p> <p>13 Q. Let's go to the discount rate. I'd</p> <p>14 like you to look at paragraphs 52 and those that</p> <p>15 follow. I'll ask you questions about it.</p> <p>16 The first question is in paragraph 53</p> <p>17 is it accurate that you attempted to determine an</p> <p>18 appropriate and reasonable rate at which to</p> <p>19 discount future cash flows?</p> <p>20 A. Yes.</p> <p>21 Q. And relied on your experience,</p> <p>22 independent sources of discount rate calculations,</p> <p>23 namely Ibbotson; is that correct?</p> <p>24 A. Yes.</p> <p>25 Q. And you selected the SIC -- is it SIC</p>
<p style="text-align: right;">Page 203</p> <p>1 Pfeiffer - Confidential</p> <p>2 the trusts.</p> <p>3 Q. But the result of the above-described</p> <p>4 methodology is to generate assumptions that are</p> <p>5 then applied on a trust-by-trust basis; is that</p> <p>6 correct?</p> <p>7 MR. KOH: Objection, form.</p> <p>8 A. There's an assumed level of claim</p> <p>9 amount for each trust, and those assumptions are</p> <p>10 then used -- there's assumed levels of claims --</p> <p>11 claim amounts for each trusts are then analyzed</p> <p>12 further on a -- within each trust on a tranche --</p> <p>13 if you look at the payment structures within the</p> <p>14 trust.</p> <p>15 Q. And based on that analysis, you came up</p> <p>16 with a \$409 million estimated policy claim amount</p> <p>17 in the low case and 793 million in the high case;</p> <p>18 is that correct?</p> <p>19 A. That's correct as of December 31st,</p> <p>20 2012.</p> <p>21 Q. Have you updated any of that data?</p> <p>22 A. Not at the time of this report.</p> <p>23 Q. How about since the time of the report?</p> <p>24 A. I think we're continually looking at</p> <p>25 it.</p>	<p style="text-align: right;">Page 205</p> <p>1 Pfeiffer - Confidential</p> <p>2 codes? What do you call them?</p> <p>3 A. I call them SIC.</p> <p>4 Q. SIC for surety insurance and insurance</p> <p>5 carriers; correct?</p> <p>6 A. Correct.</p> <p>7 Q. Why did you include those?</p> <p>8 A. They seemed to be most closely</p> <p>9 correlated with the industry that FGIC operates</p> <p>10 in.</p> <p>11 Q. Did you consider or test any other SIC</p> <p>12 besides surety insurance and insurance carriers to</p> <p>13 evaluate an appropriate discount rate?</p> <p>14 A. No.</p> <p>15 Q. Did you consider the fact that FGIC is</p> <p>16 no longer writing business in evaluating whether</p> <p>17 the discount rate should be higher or lower than</p> <p>18 these percentages?</p> <p>19 A. Yes.</p> <p>20 Q. And what did you conclude?</p> <p>21 A. That because they are no longer writing</p> <p>22 policies that they don't have that stability of</p> <p>23 cash flows or ability to generate additional cash</p> <p>24 flows from that stream, and associated with that</p> <p>25 their rehabilitation subject to all kinds of</p>

<p style="text-align: right;">Page 206</p> <p>1 Pfeiffer - Confidential</p> <p>2 uncertainties.</p> <p>3 And we felt the risk -- given their</p> <p>4 current predicament their risk and therefore the</p> <p>5 discount rate range would be higher, likely, than</p> <p>6 the average range that you'd find in Ibbotson.</p> <p>7 Q. In the Ibbotson analysis that you</p> <p>8 performed, did you view any one of those entities</p> <p>9 that resulted from your analysis as an outlier?</p> <p>10 A. We did not -- we did not look at an</p> <p>11 entity-by-entity basis to look at which ones would</p> <p>12 be outliers.</p> <p>13 Q. You did not do that?</p> <p>14 A. No.</p> <p>15 Q. So you don't know whether the 19</p> <p>16 percent figure is the result of an outlier?</p> <p>17 MR. SIDMAN: Objection.</p> <p>18 MR. KOTWICK: Objection to the form.</p> <p>19 A. It was more important for us to look at</p> <p>20 the general range. We did pay specific attention</p> <p>21 to MBIA and its beta on the higher end of that</p> <p>22 range, didn't -- we didn't go about analyzing each</p> <p>23 company within that range to determine whether</p> <p>24 it's an outlier or not.</p> <p>25 Q. Did you consider -- strike that.</p>	<p style="text-align: right;">Page 208</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I think that the first sentence refers</p> <p>3 to the regulatory filings and refers to the</p> <p>4 billion dollars in gross recoveries as resulting</p> <p>5 from various loss mediation activities.</p> <p>6 If you look at the financial statements</p> <p>7 themselves, they are not characterized as simply</p> <p>8 loss mediation activities such as the pursuit of</p> <p>9 litigation claims. Rather, it is described as</p> <p>10 gross projected recoveries.</p> <p>11 Q. And in your view they are not loss</p> <p>12 mediation activities that are identified in the</p> <p>13 paragraph that you drew my attention to; is that</p> <p>14 correct?</p> <p>15 A. What I am saying, to be accurate, is</p> <p>16 it's misrepresented here as simply loss mediation</p> <p>17 activities such as the pursuit of litigation</p> <p>18 claims, as if to say that it's basically I'm going</p> <p>19 to take it as -- he's going to take it --</p> <p>20 Mr. Goldstein is going to take it as if it is</p> <p>21 litigation claims.</p> <p>22 And I read the financial statements</p> <p>23 very differently.</p> <p>24 Q. So you read that sentence that</p> <p>25 Mr. Goldstein is referring only to litigation</p>
<p style="text-align: right;">Page 207</p> <p>1 Pfeiffer - Confidential</p> <p>2</p> <p>3 MR. BAIO: Let's take a short break. I</p> <p>4 want to look at my notes, and we'll see where</p> <p>5 we are.</p> <p>6 (Recess taken from 2:56 to 3:03.)</p> <p>7 MR. BAIO: Let's mark as the next</p> <p>8 exhibit, Exhibit 6, the expert witness report</p> <p>9 of Charles Goldstein.</p> <p>10 (Pfeiffer Exhibit 6, expert report of</p> <p>11 Goldstein, marked for identification.)</p> <p>12 Q. Have you seen Exhibit 6 before?</p> <p>13 A. I have.</p> <p>14 Q. Have you read it?</p> <p>15 A. I've reviewed it.</p> <p>16 Q. Okay.</p> <p>17 A. I don't think I read every word, but I</p> <p>18 did review it.</p> <p>19 Q. Can you look at paragraph 29?</p> <p>20 A. Okay.</p> <p>21 Q. Do you believe that anything in</p> <p>22 paragraph 29 is inaccurate?</p> <p>23 MR. KOTWICK: Objection.</p> <p>24 A. Yes.</p> <p>25 Q. What?</p>	<p style="text-align: right;">Page 209</p> <p>1 Pfeiffer - Confidential</p> <p>2 claims?</p> <p>3 A. I read it in connection with the</p> <p>4 section that it's in, and the fact that it follows</p> <p>5 paragraph 28 and the paragraphs right before it</p> <p>6 that refer to -- that refer to material litigation</p> <p>7 that the insinuation, if not the exact statement,</p> <p>8 here is that the billion dollars relates to</p> <p>9 litigation claims.</p> <p>10 And I don't see that to be accurate and</p> <p>11 nor do I think that's what's represented in the</p> <p>12 financial statements.</p> <p>13 Q. Is there anything else inaccurate in</p> <p>14 that paragraph?</p> <p>15 MR. WEITNAUER: Objection.</p> <p>16 MR. KOTWICK: Objection to the form.</p> <p>17 A. Yes.</p> <p>18 Q. What?</p> <p>19 A. I don't know how Mr. Goldstein would</p> <p>20 know that these recoveries were not included in</p> <p>21 our assessment of whether the 253 was within the</p> <p>22 range of reasonableness.</p> <p>23 Q. Do you believe that the recoveries were</p> <p>24 included in your assessment of whether the 253 was</p> <p>25 within the range of reasonableness?</p>

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<p style="text-align: right;">Page 210</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. My understanding is that the great</p> <p>3 majority, if not all, the gross projected</p> <p>4 recoveries are included in the cash flows that</p> <p>5 were provided as part of the rehabilitation plan.</p> <p>6 Q. And have you confirmed that with FGIC</p> <p>7 or Lazard?</p> <p>8 A. I have not spoken to FGIC and Lazard</p> <p>9 about that.</p> <p>10 Q. Have you learned that FGIC and Lazard</p> <p>11 believe that it is included in their evaluation?</p> <p>12 A. I have learned from our -- from our</p> <p>13 analysis and assessment of the situation and going</p> <p>14 back to the -- what was discussed in that meeting</p> <p>15 that everything's included in the plan except for</p> <p>16 the various items that we discussed earlier,</p> <p>17 including material litigation on both the</p> <p>18 plaintiff and the defense side, and those that are</p> <p>19 not included because they weren't estimable and</p> <p>20 probable.</p> <p>21 And therefore the number that's</p> <p>22 reflected in the financial statements is not -- it</p> <p>23 seems to me that would be the kind of number that</p> <p>24 is included in the rehabilitation plan.</p> <p>25 MR. BAIO: I pass the witness, as we</p>	<p style="text-align: right;">Page 212</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I don't recall if in one of the</p> <p>3 depositions I provided related to Oakwood, which</p> <p>4 is a liquidation trust in the real estate sector.</p> <p>5 I don't recall whether I testified in that matter</p> <p>6 in deposition with respect to RMBS at all.</p> <p>7 In addition I testified last year --</p> <p>8 no, two years ago in an arbitration related to a</p> <p>9 hedge fund, and that hedge fund -- that hedge</p> <p>10 fund's assets included RMBS securities.</p> <p>11 Q. Which hedge fund was that?</p> <p>12 A. Aris. It's listed in my -- on my</p> <p>13 résumé. And I don't recall to what extent I got</p> <p>14 into the value of the RMBS securities.</p> <p>15 Q. Which one is that, since I see</p> <p>16 deposition you have a bunch on page 8 going</p> <p>17 through to page 9?</p> <p>18 A. Look on page 7 before that, before</p> <p>19 deposition is a list at trial.</p> <p>20 Q. Do any of the cases on page 8 or 9 for</p> <p>21 which you indicate deposition testimony involved</p> <p>22 RMBS?</p> <p>23 A. As I just mentioned, on page 7 the Aris</p> <p>24 case may have involved RMBS, and the case on page</p> <p>25 9 -- 8 on the bottom, which is OHC Liquidation</p>
<p style="text-align: right;">Page 211</p> <p>1 Pfeiffer - Confidential</p> <p>2 say.</p> <p>3 MR. GOODMAN: Can we just go off the</p> <p>4 record while we set up, please.</p> <p>5 (Pause.)</p> <p>6 EXAMINATION BY</p> <p>7 MR. GELFARB:</p> <p>8 Q. Good afternoon, Mr. Pfeiffer.</p> <p>9 A. Good afternoon.</p> <p>10 Q. My name is David Gelfarb. I represent</p> <p>11 Freddie Mac in this matter as co-counsel.</p> <p>12 Do you understand that you're still</p> <p>13 under oath?</p> <p>14 A. I do.</p> <p>15 Q. Prior to this action, how many cases</p> <p>16 were you involved in that implicated residential</p> <p>17 mortgage-backed securities?</p> <p>18 A. Somewhere between five and ten.</p> <p>19 Q. Have you testified at trial in any</p> <p>20 matters involving residential mortgage-backed</p> <p>21 securities?</p> <p>22 MR. GELFARB: Please note for the</p> <p>23 record that the witness is looking at his</p> <p>24 report.</p> <p>25 (Pause.)</p>	<p style="text-align: right;">Page 213</p> <p>1 Pfeiffer - Confidential</p> <p>2 Trust versus Credit Suisse where I worked on</p> <p>3 behalf of Credit Suisse. I testified on behalf of</p> <p>4 Credit Suisse in that matter. I don't recall</p> <p>5 precisely to what extent RMBS was involved in that</p> <p>6 case either.</p> <p>7 Q. So can you just summarize, please, for</p> <p>8 which cases you actually testified at trial? You</p> <p>9 understand the difference between a trial and</p> <p>10 deposition?</p> <p>11 A. I do understand, yes.</p> <p>12 Q. So which ones did you testify at trial,</p> <p>13 actually testify at trial?</p> <p>14 A. If you look at my résumé, page 7, trial</p> <p>15 and arbitration testimony, so that one, two,</p> <p>16 three, four, five, six -- those seven cases were</p> <p>17 either trials or arbitrations.</p> <p>18 Q. And which of them involved residential</p> <p>19 mortgage-backed securities?</p> <p>20 A. I think I just testified to the fact</p> <p>21 that the case listed first, Aris, may have</p> <p>22 involved RMBS securities.</p> <p>23 Q. Have you ever been involved in a case</p> <p>24 before that involved a commutation of insurance</p> <p>25 policies?</p>

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<p style="text-align: right;">Page 214</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. I don't believe so.</p> <p>3 Q. What documents did you review in order</p> <p>4 to prepare for today's deposition?</p> <p>5 A. I reviewed my report. I reviewed the</p> <p>6 model that was provided to you in connection with</p> <p>7 this deposition, the underlying support documents</p> <p>8 and model that was provided to you. And I</p> <p>9 reviewed the plaintiff expert reports, reviewed</p> <p>10 FGIC financial statements, and reviewed the</p> <p>11 rehabilitation plan, the affidavit of Mr. Miller,</p> <p>12 some of the disclosure statement.</p> <p>13 That fairly summarizes the kind of</p> <p>14 documents I looked at.</p> <p>15 Q. Did you review the expert declaration</p> <p>16 of Mr. Gibson?</p> <p>17 A. I did.</p> <p>18 Q. Did you have any opinions on the</p> <p>19 reasonableness of his conclusions?</p> <p>20 A. I -- my review was somewhat cursory,</p> <p>21 but my conclusion, based on that cursory review,</p> <p>22 was that the expert has either been misinformed or</p> <p>23 has made certain mistakes with respect to his</p> <p>24 analysis.</p> <p>25 Q. How do you understand Mr. Gibson to</p>	<p style="text-align: right;">Page 216</p> <p>1 Pfeiffer - Confidential</p> <p>2 commutation plan?</p> <p>3 MR. KOH: Objection to form.</p> <p>4 A. I think we provided to you all the</p> <p>5 analysis that we've conducted with respect to the</p> <p>6 commutation. I don't recall a reference to 21</p> <p>7 cents specifically.</p> <p>8 MR. GELFARB: Let's go off to for a</p> <p>9 second.</p> <p>10 (Pause.)</p> <p>11 (Pfeiffer Exhibit 7, draft</p> <p>12 presentation, marked for identification.)</p> <p>13 Q. Mr. Pfeiffer, can you identify what's</p> <p>14 been marked as Exhibit 7?</p> <p>15 A. Yes.</p> <p>16 Q. And what is Exhibit 7?</p> <p>17 A. This is an earlier draft of the</p> <p>18 presentation I believe that was shared on May 5th</p> <p>19 or 6th, 2013.</p> <p>20 Q. Who was it shared with?</p> <p>21 MR. KOH: Objection.</p> <p>22 Go ahead and answer.</p> <p>23 A. It was shared initially with counsel</p> <p>24 for the trustees, and I believe that the trustees</p> <p>25 shared it with -- the trustees' counsel shared it</p>
<p style="text-align: right;">Page 215</p> <p>1 Pfeiffer - Confidential</p> <p>2 have been misinformed?</p> <p>3 A. I understood that his assessment of the</p> <p>4 claims didn't seem consistent with what I would</p> <p>5 expect. His reference to the commutation relative</p> <p>6 to that claim amount and his comparison of that</p> <p>7 percentage to the Lazard percentages were I think</p> <p>8 inappropriately compared.</p> <p>9 And if you put the report in front of</p> <p>10 me, it could perhaps remind me of a few other</p> <p>11 observations.</p> <p>12 Q. I believe you said he was misinformed</p> <p>13 and there was some other difficulty with his</p> <p>14 report. Did your prior answer, Mr. Pfeiffer,</p> <p>15 include where you believe Mr. Gibson made certain</p> <p>16 mistakes with with respect to his analysis?</p> <p>17 A. Yes, I think the way he describes the</p> <p>18 commutation, I think he might refer to it as 21</p> <p>19 cents or 21.4 cents or whatever number he used in</p> <p>20 there. You know, that reference compared to the</p> <p>21 27 to 30 cents that he takes from Lazard I believe</p> <p>22 to be an inaccurate comparison.</p> <p>23 Q. Do you know whether you yourself ever</p> <p>24 prepared an analysis that included a 21 --</p> <p>25 approximately 21 cent payment under the</p>	<p style="text-align: right;">Page 217</p> <p>1 Pfeiffer - Confidential</p> <p>2 with the trustees as well.</p> <p>3 Q. You see on page 7 there's an entry,</p> <p>4 nominal recovery?</p> <p>5 A. I do.</p> <p>6 Q. And what is the amount of the nominal</p> <p>7 recovery?</p> <p>8 A. It says 19 to 20 percent.</p> <p>9 Q. And what does that represent?</p> <p>10 A. That likely represents the 220 to 285</p> <p>11 on the box on top of it compared to -- you know, I</p> <p>12 don't know.</p> <p>13 Q. Okay. So sitting here today you're not</p> <p>14 certain as to what the 19 to 20 percent</p> <p>15 represents, Mr. Pfeiffer?</p> <p>16 A. It's purported to represent a NOL</p> <p>17 analytical recovery, but I cannot -- I cannot</p> <p>18 re-create the math for you at this time.</p> <p>19 Q. Was this document prepared under your</p> <p>20 supervision?</p> <p>21 A. Yes, it was.</p> <p>22 Q. Is there any reason why in the May 15th</p> <p>23 analysis there's no similar entry for a percentage</p> <p>24 representing a nominal recovery?</p> <p>25 A. I think that we determined that there</p>

55 (Pages 214 - 217)

<p style="text-align: right;">Page 218</p> <p>1 Pfeiffer - Confidential</p> <p>2 was a better way to present the numbers.</p> <p>3 Q. Now let's go to page 7, paragraph 12,</p> <p>4 of your report. Now, earlier Mr. Baio was</p> <p>5 discussing with you the concept of the 253.3</p> <p>6 million and the reasonable range. Do you recall</p> <p>7 that?</p> <p>8 A. Yes.</p> <p>9 Q. Now, just so I understand this, there's</p> <p>10 no particular numerical range that encompasses</p> <p>11 that 253.3 million, is there?</p> <p>12 MR. KOH: Objection.</p> <p>13 Go ahead.</p> <p>14 A. There are numerical ranges that are</p> <p>15 part of our assessment of the 253.3, and those</p> <p>16 numerical ranges are provided for on page 3 of</p> <p>17 Attachment 3 of the report, the information piece</p> <p>18 presentation. Those are numerical ranges, but</p> <p>19 that's not the full scope of our consideration</p> <p>20 with respect to our conclusion and the resulting</p> <p>21 range of the 253.3.</p> <p>22 Q. I understand that you put ranges on</p> <p>23 page 3: one for the base scenario and there's one</p> <p>24 for the stress scenario. And we'll set aside who</p> <p>25 computed those numbers. But those numbers exist.</p>	<p style="text-align: right;">Page 220</p> <p>1 Pfeiffer - Confidential</p> <p>2 number is within a range of reasonableness or we</p> <p>3 often provide our clients with a range of</p> <p>4 reasonable estimates for value. And sometimes</p> <p>5 those numbers are bound by a low and a high end of</p> <p>6 the range. It's very clear.</p> <p>7 And other times there are additional,</p> <p>8 less quantifiable benefits that make the range</p> <p>9 something that has to be considered -- the numeric</p> <p>10 and the soft benefits have to be considered in</p> <p>11 conjunction with each other.</p> <p>12 Q. Okay. So in this case, however, there</p> <p>13 is no range of reasonable estimates for value, is</p> <p>14 there?</p> <p>15 A. I think I described earlier that</p> <p>16 there's a range of present values of the cash</p> <p>17 flows that result from the FGIC plan, and those</p> <p>18 are described on page 3. And then in looking at</p> <p>19 that relative to the 253, you consider those</p> <p>20 numbers as well as the other risks and benefits</p> <p>21 associated with the proposal and the plan.</p> <p>22 Q. Can you give me -- or can you provide</p> <p>23 an estimate of what the \$253.3 million represents</p> <p>24 as a percentage of the trusts' claims?</p> <p>25 MR. KOTWICK: Objection.</p>
<p style="text-align: right;">Page 219</p> <p>1 Pfeiffer - Confidential</p> <p>2 Okay.</p> <p>3 My question is is the 253.3 supposed to</p> <p>4 fall into a range bordered by 190 and 240 or is it</p> <p>5 supposed to be somewhere else or is there no</p> <p>6 numerical range within which it falls.</p> <p>7 MR. KOH: Objection.</p> <p>8 A. It's not supposed to fall anywhere;</p> <p>9 it's supposed to be considered as a payment in</p> <p>10 comparison to the alternative, which is to receive</p> <p>11 projected payments under the plan.</p> <p>12 Q. Now, in your other engagements, whether</p> <p>13 with Duff & Phelps or otherwise, have you ever had</p> <p>14 reason in a report to place a specific number, for</p> <p>15 example, as the 253.3 is here, within a range that</p> <p>16 is not bordered on the low end or high end by two</p> <p>17 other numbers?</p> <p>18 MR. KOTWICK: Object to form.</p> <p>19 MR. KOH: Same objection.</p> <p>20 THE WITNESS: Can you read back the</p> <p>21 question, please.</p> <p>22 (Record read.)</p> <p>23 THE WITNESS: Yes.</p> <p>24 Q. And when did you do that?</p> <p>25 A. We often are looking at whether a</p>	<p style="text-align: right;">Page 221</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. Yes.</p> <p>3 Q. And what is that percentage?</p> <p>4 A. The 253 plus the 18 million is 271</p> <p>5 million.</p> <p>6 Q. Right.</p> <p>7 A. And I can compute that number relative</p> <p>8 to the nominal amount of the claims or the present</p> <p>9 value of the claims and arrive at various numbers.</p> <p>10 And those are -- based on our estimation of the</p> <p>11 claims, those numbers are estimated in Table 1 of</p> <p>12 my report.</p> <p>13 Q. And that's on page 28?</p> <p>14 A. Yes.</p> <p>15 Q. And what is the amount of the -- for</p> <p>16 the commutation proposal as discounted, it's 22 to</p> <p>17 29?</p> <p>18 A. Yes.</p> <p>19 Q. In your report there's a footnote which</p> <p>20 discusses the 40 percent haircut; correct?</p> <p>21 A. Yes.</p> <p>22 Q. Okay. That's Footnote 23 on page 16.</p> <p>23 Now, did you testify earlier that one</p> <p>24 of the reasons -- not the only reason but perhaps</p> <p>25 one of the reasons for the haircut was the idea</p>

<p style="text-align: right;">Page 222</p> <p>1 Pfeiffer - Confidential</p> <p>2 that a lot of the claims were going to arise in</p> <p>3 later years but the payment would come up soon?</p> <p>4 MR. KOH: Objection.</p> <p>5 MR. KOTWICK: Objection.</p> <p>6 A. No.</p> <p>7 Q. Can you take me through what your</p> <p>8 analysis was with respect to the justification for</p> <p>9 a haircut in terms of when the majority of claims</p> <p>10 were going to arise?</p> <p>11 A. Yes. This haircut is not our number,</p> <p>12 and we did not calculate it. But as described to</p> <p>13 us by Lazard and FGIC, the claims will be front-</p> <p>14 loaded, the payments subsequent to that, and I</p> <p>15 think in your question you might have reversed the</p> <p>16 two.</p> <p>17 But basically the claims will arise</p> <p>18 more in the near term, and the payments, the CPP,</p> <p>19 the payments as projected in the plan are over</p> <p>20 many more years.</p> <p>21 Q. Right. So then if that's the case, as</p> <p>22 you say, the claims are front-loaded, wouldn't it</p> <p>23 justify a lesser haircut? In other words, if the</p> <p>24 claims occur in the near future, wouldn't one</p> <p>25 thing that you would want to be paid in the near</p>	<p style="text-align: right;">Page 224</p> <p>1 Pfeiffer - Confidential</p> <p>2 worth a dollar. But because the payments on that</p> <p>3 claim are substantially in the future, the value</p> <p>4 that I'm going to receive from that claim today --</p> <p>5 on present value terms, the value that I'm going</p> <p>6 to receive from those payments are going to be</p> <p>7 well less than a dollar because I have to wait</p> <p>8 three, four, five years to receive a portion -- a</p> <p>9 recovery on the dollar of that claim.</p> <p>10 So I might receive on a nominal basis</p> <p>11 45 cents on the dollar; but because I have to wait</p> <p>12 more years in order to receive that payment, the</p> <p>13 present value is diminished.</p> <p>14 Q. Now, FGIC here offered a present value</p> <p>15 analysis, did they not? In other words, the</p> <p>16 payments are being discounted?</p> <p>17 A. FGIC offered a present value analysis</p> <p>18 for the plan overall, not for the FGIC-insured</p> <p>19 trusts in particular. So our job was to take the</p> <p>20 FGIC-insured trusts and provide a present value</p> <p>21 analysis for those.</p> <p>22 Q. Isn't there a requirement that all</p> <p>23 policyholders be treated fairly and equitably?</p> <p>24 A. On --</p> <p>25 MR. KOH: Objection.</p>
<p style="text-align: right;">Page 223</p> <p>1 Pfeiffer - Confidential</p> <p>2 future for claims that arise in the near future?</p> <p>3 MR. KOTWICK: Objection to the form.</p> <p>4 A. The way this plan works, that's not --</p> <p>5 that's not what occurs. What occurs is that</p> <p>6 irrespective of -- even if your claim amount is</p> <p>7 early on, you still have to wait for the -- for</p> <p>8 the plan to allow you to receive your percentage.</p> <p>9 And so you don't get the cash quicker all because</p> <p>10 you have a claim earlier.</p> <p>11 Q. That may be, but wouldn't it justify a</p> <p>12 lower discount rate? If someone is going to</p> <p>13 get -- excuse me, a lower haircut. If someone is</p> <p>14 going to incur a loss sooner, wouldn't you expect</p> <p>15 the haircut to be less than if they were going to</p> <p>16 incur a loss way, way down the road?</p> <p>17 MR. KOH: Objection.</p> <p>18 MR. KOTWICK: Objection to form.</p> <p>19 A. No, I think you're misunderstanding the</p> <p>20 terms.</p> <p>21 Q. Explain -- give me your explanation of</p> <p>22 it, please.</p> <p>23 A. Okay. The trust incurs a loss and has</p> <p>24 a claim. That claim on a nominal basis on day one</p> <p>25 might be worth a dollar, on a nominal basis is</p>	<p style="text-align: right;">Page 225</p> <p>1 Pfeiffer - Confidential</p> <p>2 Go ahead and answer.</p> <p>3 A. On a nominal basis, that's correct; but</p> <p>4 on a present value basis, it's not.</p> <p>5 Q. When you learned of the 40 percent</p> <p>6 discount, did you express any surprise to FGIC</p> <p>7 and/or Lazard?</p> <p>8 A. We expressed a desire to understand all</p> <p>9 the inputs for everything they provided to us and</p> <p>10 everything that was publicly available, but our</p> <p>11 focus was not at all on that 40 percent discount;</p> <p>12 our focus was on the 253 relative to our</p> <p>13 assessment of the claims and how they would be</p> <p>14 treated in the context of the projected payments</p> <p>15 under the rehabilitation plan.</p> <p>16 Q. Did you suggest that the 40 percent be</p> <p>17 either increased or decreased?</p> <p>18 A. No.</p> <p>19 Q. Did the trustees ever suggest to you</p> <p>20 that the 40 percent should be higher or lower or</p> <p>21 should stay the same?</p> <p>22 A. No.</p> <p>23 Q. Did the trustees ask whether this 40</p> <p>24 percent discount was justifiable in your</p> <p>25 discussions with them during that Web conference?</p>

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<p style="text-align: right;">Page 226</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. When the trustees asked about the 40</p> <p>3 percent, we described it in connection with what</p> <p>4 FGIC told us, as I just told you. However, we</p> <p>5 made sure the conversation related -- instead of</p> <p>6 to the 40 percent, which is a FGIC-derived number,</p> <p>7 we made sure the conversation turned instead to</p> <p>8 the 253 relative to the present value of the</p> <p>9 projected payments as we described them.</p> <p>10 Q. Now, the security holders would do</p> <p>11 better with a 20 percent haircut; correct?</p> <p>12 MR. KOTWICK: Objection to the form.</p> <p>13 MR. KOH: Objection.</p> <p>14 A. We didn't look at the numbers in the</p> <p>15 context of a haircut. The security holders would</p> <p>16 do better if they got 263 rather than 253 and</p> <p>17 would do better yet if they got 283. They would</p> <p>18 do worse if they got 243. How that number came</p> <p>19 about is less of an issue for us, actually not an</p> <p>20 issue for us whatsoever.</p> <p>21 Q. In your capacity as a financial</p> <p>22 advisor, you would not give advice on the</p> <p>23 reasonableness of that 40 percent haircut; is that</p> <p>24 correct?</p> <p>25 A. That's correct.</p>	<p style="text-align: right;">Page 228</p> <p>1 Pfeiffer - Confidential</p> <p>2 inputs into INTex to provide to us more color.</p> <p>3 Q. Now, what do you mean in paragraph 35</p> <p>4 by the phrase a more robust loss estimation? What</p> <p>5 does that mean?</p> <p>6 A. It means that instead of just providing</p> <p>7 for blanket assumptions with respect to</p> <p>8 transition, roll rates, and CPR, CDR, severity,</p> <p>9 and so on, what we did was we looked at it on a</p> <p>10 cohort -- classified it into cohorts, product</p> <p>11 types, and vintages, so that we estimated for each</p> <p>12 cohort a different set of assumptions.</p> <p>13 Q. Did you analyze CPR for all 47 trusts</p> <p>14 separately?</p> <p>15 A. We analyzed CPR for each of those</p> <p>16 cohorts separately, and each of those trusts fit</p> <p>17 into a particular cohort. And therefore each</p> <p>18 trust would have its own CPR and CDR.</p> <p>19 Q. What do you mean by the term</p> <p>20 "sub-cohort"?</p> <p>21 A. If you look at page 17 going into page</p> <p>22 18, there are six categories: prime, all A,</p> <p>23 subprime, pay option arm, closed-end seconds, and</p> <p>24 open-end seconds. And so in creating sub-cohorts,</p> <p>25 we split subprime, for example, into additional</p>
<p style="text-align: right;">Page 227</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Can you turn to paragraph 34 of your</p> <p>3 report. Now, you made an estimate of the future</p> <p>4 projected claims; correct?</p> <p>5 A. Yes.</p> <p>6 Q. And you also projected future</p> <p>7 collateral performance?</p> <p>8 A. We projected security rates.</p> <p>9 Q. Did you go through all 47 trusts in</p> <p>10 estimating the future projected claims?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And when you say that you</p> <p>13 determined -- did you determine monthly prepayment</p> <p>14 rates?</p> <p>15 A. Yes.</p> <p>16 Q. And how did you do that?</p> <p>17 A. By looking at historical monthly</p> <p>18 prepayment rates and projecting forward what one</p> <p>19 would expect based on that.</p> <p>20 Q. And what service did you use to do</p> <p>21 that?</p> <p>22 A. We have a significant -- a team with</p> <p>23 significant expertise in that regard. We've done</p> <p>24 this for many clients. And as I mentioned</p> <p>25 earlier, we also provided those assumptions and</p>	<p style="text-align: right;">Page 229</p> <p>1 Pfeiffer - Confidential</p> <p>2 categories. And we split -- we might have had two</p> <p>3 categories for pay option arms.</p> <p>4 Q. Now, what is pay option arm? What</p> <p>5 would be the sub-cohorts? The sub-cohorts were</p> <p>6 not by year? There was not '04 sub-cohorts and</p> <p>7 '05 sub-cohorts?</p> <p>8 A. That's an additional, meaning there are</p> <p>9 six types and there are four vintages. So 6 times</p> <p>10 4 is 24. So there are 24 cohorts. So there's a</p> <p>11 pay option arm 2004 cohort, a pay option arm 2005</p> <p>12 cohort, a pay option arm 2006 cohort, and a pay</p> <p>13 option arm 2007 cohort. And we do the same thing</p> <p>14 for each of the product types. And then within</p> <p>15 the product types we also had sub-cohorts that</p> <p>16 were analyzed.</p> <p>17 Q. Now, besides INTex did you create your</p> <p>18 own model in determining expected losses on the --</p> <p>19 to be suffered by the trusts?</p> <p>20 A. We used the information we had and</p> <p>21 created our own model for -- aided by INTex, but</p> <p>22 we created our own model, yes.</p> <p>23 Q. Which employees at your firm worked on</p> <p>24 creating that model?</p> <p>25 A. John Schrader led that team, and John</p>

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<p style="text-align: right;">Page 230</p> <p>1 Pfeiffer - Confidential</p> <p>2 was supported by a number of other employees.</p> <p>3 MR. CHRISTENSEN: How much of the 35 do</p> <p>4 we have left?</p> <p>5 THE REPORTER: We're like two, three</p> <p>6 minutes over, actually.</p> <p>7 MR. CHRISTENSEN: Oh, okay.</p> <p>8 Q. Did you consider using servicer advance</p> <p>9 rates in connection with determining losses to the</p> <p>10 trusts?</p> <p>11 A. I don't know.</p> <p>12 Q. Do you know what servicer advance rates</p> <p>13 are?</p> <p>14 A. I know what servicer advance rates are,</p> <p>15 yes.</p> <p>16 Q. So you don't know whether you used</p> <p>17 those in your work determining losses. Okay.</p> <p>18 Did you consider cash flow triggers?</p> <p>19 A. I don't know.</p> <p>20 Q. You do know what cash flow triggers are</p> <p>21 in terms of RMBS; correct?</p> <p>22 A. I have a general understanding of what</p> <p>23 it is, yes.</p> <p>24 Q. In your view does INTex have</p> <p>25 limitations in modeling losses going out 30, 40</p>	<p style="text-align: right;">Page 232</p> <p>1 Pfeiffer - Confidential</p> <p>2 A. That would impact your severity rates.</p> <p>3 Q. And what about occupancy rates?</p> <p>4 A. We considered occupancy rates in the</p> <p>5 same way.</p> <p>6 Q. And what about loan-to-value</p> <p>7 information?</p> <p>8 A. Of course.</p> <p>9 Q. And FICO scores?</p> <p>10 A. Of course.</p> <p>11 Q. Now, is it correct that you estimated</p> <p>12 the claims to range from 409 million to 793</p> <p>13 million in your report?</p> <p>14 MR. KOTWICK: Objection to form.</p> <p>15 MR. KOH: Objection.</p> <p>16 A. That's projected claims.</p> <p>17 Q. Now, is there any relationship between</p> <p>18 that 409 to 794 range and your opinion as to</p> <p>19 reasonableness that is set forth in your</p> <p>20 conclusions, in the conclusions of your report?</p> <p>21 MR. KOH: Can I hear the question</p> <p>22 again, please.</p> <p>23 Q. Sure. Is there any relationship</p> <p>24 between that 409 million to 794 million range and</p> <p>25 your opinions as to reasonableness that is set</p>
<p style="text-align: right;">Page 231</p> <p>1 Pfeiffer - Confidential</p> <p>2 years?</p> <p>3 A. My understanding is that whatever</p> <p>4 limitations INTex has we allowed for and</p> <p>5 supplemented based on our own model and</p> <p>6 experience.</p> <p>7 Q. How did you determine severity rates?</p> <p>8 A. We looked at -- we looked at the</p> <p>9 historical severity rates for these types of --</p> <p>10 for the cohorts, and we looked at market estimates</p> <p>11 with respect to severity rates going forward.</p> <p>12 Q. What services were those?</p> <p>13 A. I don't recall referring to a service.</p> <p>14 Q. Did you use any third-party research in</p> <p>15 determining severity rates?</p> <p>16 A. We -- my team reviewed third-party</p> <p>17 research, yes.</p> <p>18 Q. Whose research?</p> <p>19 A. I can't tell you all the -- all the</p> <p>20 research they looked into, but they looked at all</p> <p>21 the available market research.</p> <p>22 Q. Did you consider housing price</p> <p>23 appreciation?</p> <p>24 A. Yes.</p> <p>25 Q. And how did you do that?</p>	<p style="text-align: right;">Page 233</p> <p>1 Pfeiffer - Confidential</p> <p>2 forth in the conclusions at the beginning of your</p> <p>3 report?</p> <p>4 A. Yes.</p> <p>5 Q. And what is that relationship?</p> <p>6 A. The range of projected claims impacts</p> <p>7 the total amount of the notional claims, which</p> <p>8 impacts the extent to which the 47 wrapped trusts</p> <p>9 will get a recovery from the rehabilitation plan.</p> <p>10 Q. Now, did you consider the range of 409</p> <p>11 million to 793 million to be just unacceptably</p> <p>12 wide in connection with giving an opinion as to</p> <p>13 the reasonableness of the \$253 million payment?</p> <p>14 A. We considered it to be an acceptable</p> <p>15 range.</p> <p>16 Q. So you were able to give a range as to</p> <p>17 the acceptability of the 253 million even though</p> <p>18 the range of payments under the FGIC</p> <p>19 rehabilitation plan was affected by that 409 to</p> <p>20 793 million dollar spread; correct?</p> <p>21 A. We were able to give an opinion, yes.</p> <p>22 Q. What was that opinion?</p> <p>23 MR. WEITNAUER: Asked and answered.</p> <p>24 A. That opinion was that the commutation</p> <p>25 proposal is provided by FGIC is within the range</p>

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1 Pfeiffer - Confidential
2 of expected payments under the plan of rehab on a
3 discounted cash flow basis.
4 Q. Now, do you see in paragraph 36 you use
5 roll rate transition matrices and it says, Based
6 off of all RFC and GMACM-issued trusts?
7 A. I'm sorry, what paragraph is that?
8 Q. Thirty-six.
9 A. Okay. What's your question?
10 Q. All right. You've had an opportunity
11 to look at paragraph 36?
12 A. Yes.
13 Q. All right. Do you consider the RFC and
14 GMACM trusts representative of the ResCap trusts
15 at issue in this case?
16 MR. WEITNAUER: Objection to form.
17 A. I don't understand the question.
18 Q. Did you do roll rate transition
19 matrices for ResCap trusts?
20 MR. WEITNAUER: Object to form.
21 A. We did roll rate matrices for ResCap
22 trusts, yes.
23 Q. All of the ResCap trusts, all 47?
24 A. No, all 392.
25 Q. And that includes, then, the 47 that

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2 you've been discussing earlier?
3 A. Yes.
4 MR. KOTWICK: I'm going to object. I
5 think we've gone beyond the six hours. We
6 haven't drawn a hard deadline. I understand
7 the witness does have commitments, so I ask
8 that you try to finish the questioning.
9 MR. CHRISTENSEN: I have to leave by 4
10 for a conference call.
11 MR. KOTWICK: We did start early. We
12 did agree to go six hours to accommodate you
13 guys. I think we need to wrap up.
14 MR. GELFARB: We'll be done very soon.
15 MR. SIDMAN: I may have a clarification
16 question or two so...
17 MR. GELFARB: Hold on.
18 Q. Can I direct your attention, please, to
19 page 8 of your May 15th report. Have you had a
20 chance to look at that?
21 A. Yes.
22 Q. Do you see that in the notional claims
23 under ResCap you have 80 percent of all the claims
24 within -- accruing by 2017?
25 A. Yes.

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2 Q. And in the high case you have 74
3 percent accruing by 2017?
4 A. Yes.
5 Q. All right. And do you see that under
6 the notional claims Lazard has it at 23 percent
7 for up to 2017 for the base and 17 percent for the
8 stress? Do you see that?
9 A. Yes.
10 Q. Can you tell me why there's such --
11 apparently such a difference in the amount of
12 cumulative claims for your work versus Lazard's
13 work?
14 A. Because you're comparing apples to
15 oranges. The numbers on the bottom are claims,
16 and therefore, you know, it starts at 65, goes to
17 80, and necessarily has to go to 100; right?
18 Q. Yes.
19 A. The numbers you looked at before,
20 Lazard, that's not percent of claims received;
21 rather that is the CPP. So as you know, as you
22 likely know, the CPP starts at 17.25. That's why
23 it says 17 percent.
24 And under the base case it's projected
25 to go up to 38.5, I believe. That's why it says

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2 39 percent there. And under the stress scenario
3 it starts at 17. Pretty much the CPP remains at
4 17, bumps up a little bit to 20 at the end.
5 But it's not -- it's not -- you can't
6 compare -- your question didn't make any sense to
7 me.
8 Q. All right. Well, that's fine.
9 Now, in paragraph 48 you say that --
10 you seem to raise a fear or a concern that the
11 policyholders will stop paying premiums; is that
12 correct?
13 A. I wouldn't call it a fear or concern; I
14 would say it's one of the uncertainties that's
15 mentioned.
16 Q. Okay. Do you know whether the
17 rehabilitation plan actually prohibits the
18 offsetting of premium payments?
19 A. I think that's actually listed in the
20 actual paragraph. It says, The plan prohibits the
21 exercise of rights to set off premiums,
22 reimbursements, and other amounts against the
23 policy.
24 Q. So why do you consider that a risk? If
25 the agreement which is being so ordered by a court

<p style="text-align: right;">Page 238</p> <p>1 Pfeiffer - Confidential</p> <p>2 and entered by a court prohibits the setoff, why</p> <p>3 do you raise that as an issue with respect to</p> <p>4 determining whether the commutation payment is</p> <p>5 reasonable?</p> <p>6 A. Well --</p> <p>7 MR. KOH: Objection.</p> <p>8 Go ahead.</p> <p>9 A. Well, even Lazard readily incorporates</p> <p>10 a 10 percent reduction to the expected premium</p> <p>11 streams. And it's certainly fair to be concerned</p> <p>12 that the 10 percent might go higher. These are</p> <p>13 policyholders that are not -- that are paying</p> <p>14 premiums for -- to FGIC even though FGIC is not</p> <p>15 performing under the plan -- not performing.</p> <p>16 And therefore, to the extent that the</p> <p>17 premiums exceed the amount that a policyholder</p> <p>18 expects to receive, I think there's certainly a</p> <p>19 risk that the premiums will stop being paid.</p> <p>20 Q. All right. Notwithstanding that may</p> <p>21 violate a court order?</p> <p>22 MR. KOH: Objection.</p> <p>23 A. Notwithstanding --</p> <p>24 MR. KOH: Go ahead and answer.</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 240</p> <p>1 Pfeiffer - Confidential</p> <p>2 capture that.</p> <p>3 MR. KOH: All right. We've allowed --</p> <p>4 MR. GELFARB: That's fine. I will pass</p> <p>5 to my colleague, who I think may have</p> <p>6 disappeared.</p> <p>7 MR. KOH: Why don't you give us two</p> <p>8 minutes. I don't know if Mr. Sidman is going</p> <p>9 to have any questions or not. Let's establish</p> <p>10 that. Thank you for wrapping up. I know both</p> <p>11 the witness and I have appointments that we're</p> <p>12 running late for.</p> <p>13 (Pause.)</p> <p>14 EXAMINATION BY</p> <p>15 MR. SIDMAN:</p> <p>16 Q. Mr. Pfeiffer, earlier today you were</p> <p>17 testifying with respect to information that you</p> <p>18 received from FGIC and Lazard in connection with a</p> <p>19 meeting you had with them. Do you recall that</p> <p>20 testimony?</p> <p>21 A. Yes.</p> <p>22 Q. In connection with your meetings -- not</p> <p>23 focusing on FGIC, we're just focusing on Lazard.</p> <p>24 In connection with your meetings with Lazard or</p> <p>25 your team's meetings with Lazard, did you -- do</p>
<p style="text-align: right;">Page 239</p> <p>1 Pfeiffer - Confidential</p> <p>2 Q. Do you think that that possibility has</p> <p>3 been incorporated into the discount rates that</p> <p>4 Lazard was using --</p> <p>5 MR. KOH: Objection.</p> <p>6 MR. KOTWICK: Objection.</p> <p>7 Q. -- in the FGIC rehabilitation plan?</p> <p>8 A. I think all the uncertainties are part</p> <p>9 of the consideration and factors that are -- that</p> <p>10 are a basis for assessing a discount rate.</p> <p>11 Q. Okay. So do you consider these risks</p> <p>12 to be something to be concerned about above and</p> <p>13 beyond what's incorporated within the discount</p> <p>14 rates that either you or Lazard applied to the</p> <p>15 FGIC rehabilitation plan?</p> <p>16 MR. KOTWICK: Objection to form.</p> <p>17 MR. KOH: Objection.</p> <p>18 A. I think these considerations speak to</p> <p>19 the appropriateness of a discount rate. The</p> <p>20 uncertainties speak to the appropriateness of a</p> <p>21 discount rate, the uncertainty of the cash flow.</p> <p>22 And to the extent that it is possible that the</p> <p>23 cash flows themselves are also going to be</p> <p>24 drastically different, as you see in the stress</p> <p>25 case, I think that the discount rate does not</p>	<p style="text-align: right;">Page 241</p> <p>1 Pfeiffer - Confidential</p> <p>2 you recall or do you know if you or Duff received</p> <p>3 any nonpublic information from Lazard in those</p> <p>4 meetings?</p> <p>5 MR. BAIO: Object to the form.</p> <p>6 A. I don't recall any specific</p> <p>7 confidential information that we received from</p> <p>8 Lazard in particular.</p> <p>9 Q. So sitting here now you can't identify</p> <p>10 any confidential information received by Lazard?</p> <p>11 MR. BAIO: Object to the form.</p> <p>12 A. That's correct. Lazard helped us</p> <p>13 understand the plan, and with that kind of access</p> <p>14 we had to Lazard, the descriptions we assumed to</p> <p>15 be confidential. But I don't recall them</p> <p>16 providing any specific information.</p> <p>17 MR. SIDMAN: Thank you.</p> <p>18 MR. BAIO: No questions.</p> <p>19 MR. KOH: Thank you. This</p> <p>20 deposition --</p> <p>21 MR. GELFARB: Hold on.</p> <p>22 (Discussion off the record.)</p> <p>23 EXAMINATION CONTINUED BY</p> <p>24 MR. GELFARB:</p> <p>25 Q. Did you just discuss with any counsel</p>

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1 Pfeiffer - Confidential
2 the issue of the disclosure of public information
3 during the break? Excuse me, the disclosure of --
4 other than with this counsel, Mr. Hao, did you
5 discuss with any counsel other than Mr. Hao --
6 MR. KOH: Koh.
7 Q. -- the issue of the disclosure of
8 nonpublic information to you by either Lazard or
9 FGIC?
10 A. I had -- I had conversations with
11 Mr. Koh.
12 Q. Only with Mr. Koh?
13 A. Well, Mr. -- Mr. Sidman was there as
14 well. And my response, although very quick, was
15 consistent with what I just described on the
16 record.
17 Q. And what did you advise Mr. Koh and
18 Mr. Sidman?
19 A. I just hold you that I had said exactly
20 what I said on the record, was that I didn't -- I
21 don't recall anything specific that I received
22 from Lazard.
23 Q. And what did they say to you before you
24 told them that?
25 MR. KOH: Objection.

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1 Pfeiffer - Confidential
2 MR. SIDMAN: Objection.
3 A. They simply asked if there's a -- if I
4 recall conversations with Lazard separate from
5 FGIC and whether I think that Lazard as opposed to
6 FGIC provided confidential information.
7 Q. And did Lazard ever throughout the
8 course of your engagement as a financial advisor,
9 as an expert, convey to you what you deemed to be
10 nonpublic information?
11 MR. KOTWICK: Objection, asked and
12 answered.
13 A. I think, as I said earlier, they helped
14 us to understand the plan and other than that they
15 did not convey to us anything specifically marked
16 confidential that I recall.
17 (Continued on following page.)
18
19
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25

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1 Pfeiffer - Confidential
2 MR. GELFARB: All right. Nothing
3 further. Thank you.
4 MR. KOH: Does anybody else have
5 anything? Then this deposition is concluded.
6 (Time noted: 4:06 p.m.)
7
8
9 _____
10 ALLEN M. PFEIFFER
11 Subscribed and affirmed to before me
12 this ____ day of _____, 2013.
13
14 _____
15 Notary Public
16
17
18
19
20
21
22
23
24
25

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1
2 C E R T I F I C A T E
3 STATE OF NEW YORK)
4 : ss.
5 COUNTY OF NEW YORK)
6
7 I, LAURIE A. COLLINS, a Registered
8 Professional Reporter and Notary Public within
9 and for the State of New York, do hereby
10 certify:
11 That ALLEN M. PFEIFFER, the witness
12 whose deposition is hereinbefore set forth,
13 affirmed to tell the truth and that such
14 deposition is a true record of the testimony
15 given by the witness.
16 I further certify that I am not related
17 to any of the parties to this action by blood
18 or marriage, and that I am in no way
19 interested in the outcome of this matter.
20 IN WITNESS WHEREOF, I have hereunto set
21 my hand this 24th day of July, 2013.
22
23
24 _____
25 LAURIE A. COLLINS, RPR

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22	Exhibit 6, expert report of Goldstein	207	
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2 ERRATA SHEET
3 VERITEXT LEGAL SOLUTIONS
4 1250 Broadway
5 New York, New York 10001
6 (212) 279-9424
7 CASE: IN RE RESIDENTIAL CAPITAL
8 DEPOSITION DATE: July 24, 2013
9 DEPONENT: Allen M. Pfeiffer
10 PAGE/LINE(S)/ CHANGE REASON
11 ____/____/_____
12 ____/____/_____
13 ____/____/_____
14 ____/____/_____
15 ____/____/_____
16 ____/____/_____
17 ____/____/_____
18 ____/____/_____
19 ____/____/_____
20
21 _____
22 ALLEN M. PFEIFFER
23
24 SUBSCRIBED AND AFFIRMED BEFORE ME
25 THIS ____ DAY OF _____, 2013.

26 (NOTARY PUBLIC) MY COMMISSION EXPIRES _____

[& - 2013]

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